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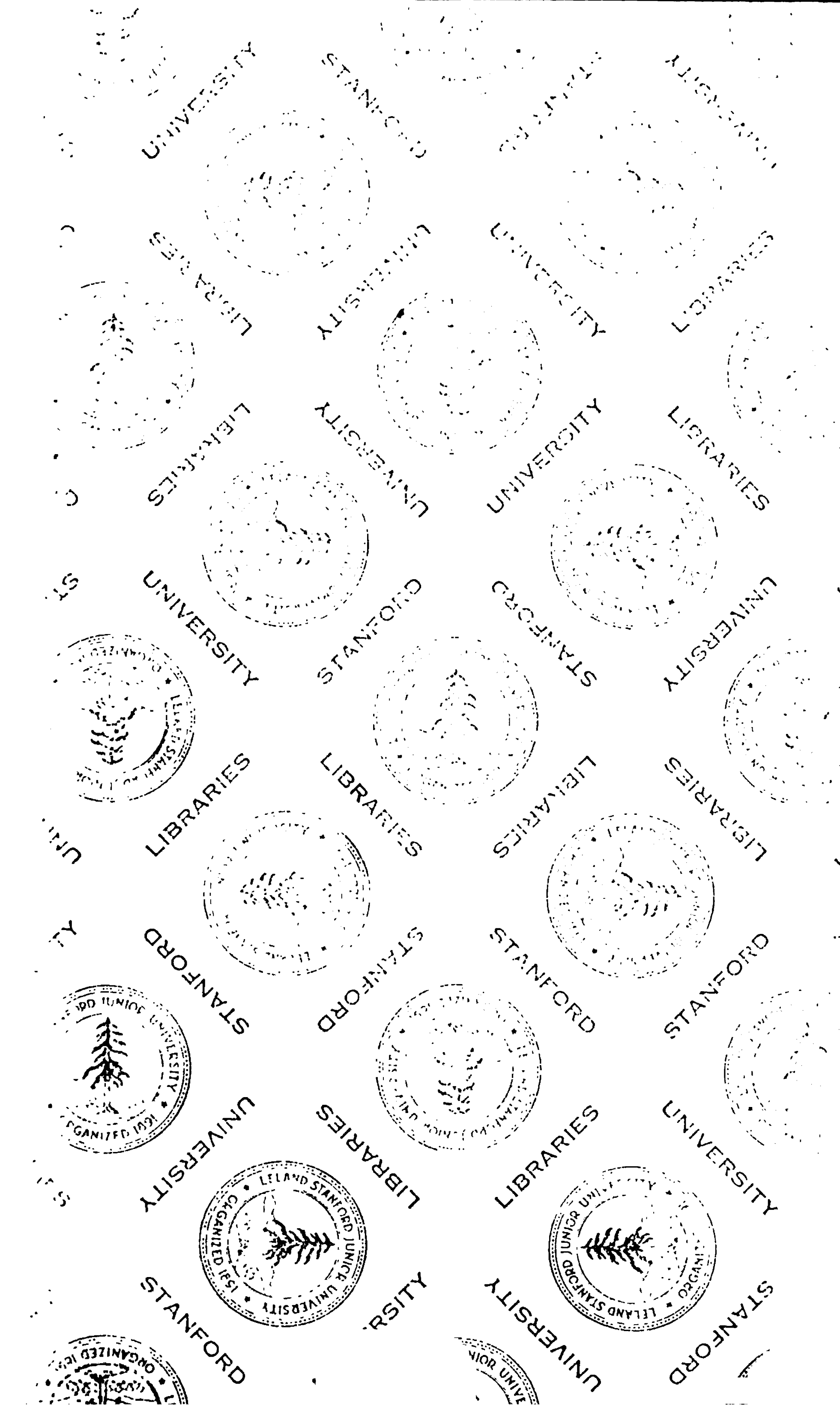
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Country	1980	1985	1990	1995	2000
Italy	15.0	16.0	17.0	17.5	18.0
Germany	12.0	13.0	14.0	14.5	15.0
France	10.0	11.0	12.0	12.5	13.0
Spain	8.0	9.0	10.0	10.5	11.0
Japan	6.0	7.0	8.0	8.5	9.0
Canada	5.0	5.5	6.0	6.5	7.0
U.S.	4.0	4.5	5.0	5.5	6.0

Year	Percentage of population aged 65 and over
1950	10.0
1955	10.5
1960	11.0
1965	11.5
1970	12.0
1975	12.5
1980	13.0
1985	13.5
1990	14.0
1995	14.5
2000	15.0
2005	15.5
2010	16.0
2015	16.5
2020	17.0
2025	17.5
2030	18.0
2035	18.5
2040	18.8
2045	19.0
2050	19.2





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# **NATIONAL BUDGET SYSTEM**

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## **HEARINGS**

**BEFORE**

**THE SELECT COMMITTEE ON THE BUDGET  
OF THE HOUSE OF REPRESENTATIVES**

**ON THE**

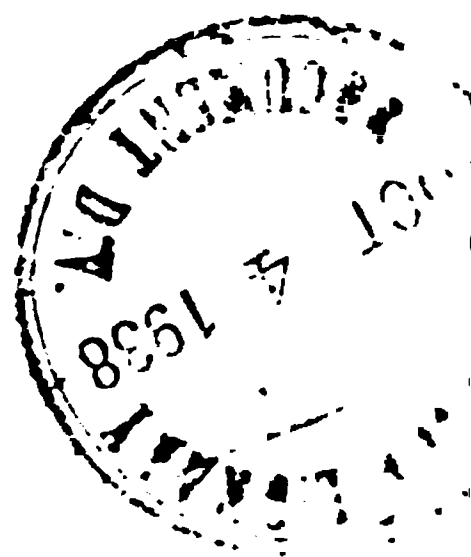
**ESTABLISHMENT OF A NATIONAL BUDGET SYSTEM**

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**SIXTY-SIXTH CONGRESS**

**FIRST SESSION**

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**WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1919**

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**SELECT COMMITTEE ON THE BUDGET.**

**HOUSE OF REPRESENTATIVES,**

**SIXTY-SIXTH CONGRESS.**

**JAMES W. GOOD, Iowa, *Chairman.***

**PHILIP P. CAMPBELL, Kansas.**

**JOSEPH W. BYRNS, Tennessee.**

**MARTIN B. MADDEN, Illinois.**

**CLAUDE KITCHIN, North Carolina**

**WILLIS C. HAWLEY, Oregon.**

**JOHN N. GARNER, Texas.**

**HENRY W. TEMPLE, Pennsylvania.**

**EDWARD T. TAYLOR, Colorado.**

**GEORGE HOLDEN TINKHAM, Massachusetts.**

**EVERETTE B. HOWARD, Oklahoma.**

**FRED S. PURNELL, Indiana.**

**MARCELLUS C. SHEILD, *Clerk.***

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ture, a department of registration and education, a department of public health, a department of labor, a department of mines and minerals, a department of trade and commerce, and a department of finance. The department of finance became really an agency of government to supervise the finances of the State. It had the power to provide for a uniform system of bookkeeping, accounts, and reports; it had the power to approve or disapprove all vouchers or claims against the Government, and, until they were approved by the department of finance, of course, they were not paid. That department was also given the power and was required to prepare a budget for the use of the general assembly, and all of the officials who had the power to expend money were required to make their estimates. Those estimates went through in the regular course from the division to the head of the department, whatever department it was, and then they had to go to the director of finance.

By the way, we have at the head of each department an individual, and not a board or commission, upon the theory that it is the individual who executes and not a body of men. All of the boards and commissions that we had in the State were abolished except those that had quasi judicial or quasi legislative powers. These were the public utilities commission, the industrial commission, which administers the compensation law between employee and employer, and the civil service commission. All the other bodies, or the purely administrative agencies that were in the form of boards or commissions, were abolished, and individuals were put at the head. The director of finance was given full power, in addition to those powers I have enumerated, to make his own investigations into the needs of any department, to examine into the affairs of the departments, and he was given power to reduce or omit in the making of his budget any item or request on the part of any department. In view of the fact that those nine directors who were at the head of the various departments were presumably of equal authority, and in order to avoid any friction between them, there was the right on the part of the head of any department who objected to the action of the director of finance to appeal to the governor and to take up the question with the governor. Of course, the governor, being made responsible under our law for the initiative in the budget, would have the last say on that.

Now, under that authority—and this is one of the things I want to emphasize because I think it is important in the discussion of any budget system—under the power of the director of finance to exercise a general supervision, in a way, over the expenditures of the State government, he was in effect preparing the budget from the beginning of the fiscal year; because all of the items of expenditure came to him for his approval, and that necessitated the making of investigations constantly as to the need of some of those expenditures. Therefore, he was becoming familiar with the real needs of the departments, and, when the estimates came to him from the other departments, he had the advantage of all this information that he had been acquiring as he went along, and was enabled thereby to act intelligently. As a matter of fact, our director of finance says that he does not recall a single estimate that was made by a single department that was permitted to stand in the budget in

the form in which it was received. It was reduced in every instance. I do not care how good officials are, that is necessary, and sometimes the better the officials the more need there is for a reduction. That is true for this reason; that a man who is at the head of a division or bureau or department of government, if he be a good man, is exaggerating the relative importance of his department or bureau or division as compared with others. He lives within that bureau or department; he sees how the work can be extended; he sees how he can take on some new activity, and, in perfect good faith, he includes those things in his requests.

Now, unless there is somebody in the government whose chief concern is over the question of expenditures, and who is not thinking about some new activity, and who is not thinking about establishing some new field for the operations of the government, that sort of thing will go on all the while and the requests will constantly expand. Therefore, it seems to me that the first condition of an effective budget is the existence of an official somewhere within the executive department who is not much concerned about spending money, but who is on the other side of the proposition—that is, somebody whose effectiveness and whose reputation depend, not upon doing some novel thing which the people will applaud, but whose whole success and whole reputation depend upon the scrupulous care with which he is studying and limiting the expenditure of money all the while. That power was the first of the two powers that were reposed in our department of finance—a general supervision of expenditures by the government in all departments. Now, of course, our departments were sometimes a little bit disappointed by our director of finance, who was simply thinking about the expenditure phase of it and not the service, and who, therefore, did not agree with them with reference to all the things that they wanted. When there was a disagreement, the two would come into my office, because that involved a question of policy in a way, and we would thrash the thing out. In that way we finally prepared the budget. Under our law that was enacted in 1917, it is the duty of the governor to submit that budget with his approval. He must go upon record and he must assume responsibility for it in the initiating of it.

Within 30 days after our general assembly meets he must submit that budget to the general assembly, and that was done. Of course, it was an entirely new thing in our State. There has been a great deal of controversy, as you gentlemen know, as to what will happen to a budget that is prepared in that way when it reaches the legislative body, without constitutional changes or changes in the rules. We did not ask or suggest that there be any changes in the rules when we submitted the budget to our legislature. However, we have but one appropriations committee in each house. They are not divided. It is a pretty large committee relatively. This budget, of course, went to the appropriations committees, and bills have been prepared in accordance with it.

**Mr. TINKHAM.** What is the membership of the committee?

**Gov LOWDEN.** Our house committee contains about one-third of its membership. The senate committee is composed of a majority of the senate. Then each committee operates through subcommit-

tees. The membership of our house is 153, and you can see that the members constitute a relatively large committee. Those bills were taken up and were passed upon by the committees.

Mr. HAWLEY. Were they prepared by the executive or by the committees?

Gov. LOWDEN. They were prepared as a result of cooperation between the two. The bills were really prepared in conference. In other words, we assumed that in order to make any system a success there had to be cooperation in good faith between the legislative and executive branches of the Government, and my humble opinion is that that is a condition of success in anything of this kind.

Mr. GARNER. You take the responsibility, in the first place, of saying that this money is necessary?

Gov. LOWDEN. Yes, and that no more is necessary. Of course, we had information that the appropriations committees could by no possibility have. I do not care how able they were, they could not meet down there, as they did on the 1st of January, and begin to get the data upon which to base an annual appropriations bill that we had been accumulating for a year and a half. Our legislature meets only once in two years. We had the information because through this department of finance we had been getting the data and going into all of those things. Those bills were considered in regular form by the two houses, and if any questions arose, the committee at once got into touch with our department of finance, and, as they said, they were frequently able to get more information in a minute in reference to those things than they had ever been able to get in a month under the old way when there was no one who had been checking up on those things. Sometimes they would disagree as to some particular item. It might involve a question of policy on which it was their duty to disagree if they thought that way. When that happened, we would thrash it out again. They would take it up with the department of finance, or with me if it was an important matter, and we went along in that way. Now, I suppose that when they got through with their appropriation bills, which involved for the ordinary expenses of the Government for the two years something like \$52,000,000, the appropriation bills, so far as the departments of Government under the control of the governor were concerned, as they were finally enacted into law, did not differ from the budget that we submitted by more than \$100,000, or something like that.

Mr. GARNER. About one-half of 1 per cent?

Gov. LOWDEN. Yes; and both of the appropriations committees, of the senate and house, were perfectly delighted with the new scheme. Of course, they looked upon it with some suspicion, perhaps, at first; but they were able to go about the thing in an intelligent way and in a way that was satisfactory to themselves.

Mr. BYRNS. Does the legislature have the right to increase as well as to reduce the estimates?

Gov. LOWDEN. Yes, sir. No changes were made in the rules.

Mr. GARNER. This change in the method of executive management was done by law?

Gov. LOWDEN. Yes.

Mr. GARNER. But it was not necessary to change the constitution?

Gov. LOWDEN. No; that did not change the constitution at all.

Mr. TEMPLE. Was the reorganization of the departments that you described an essential part of the working of the budget system?

Gov. LOWDEN. I think so. In other words, when we had 125 scattered agencies to deal with, and they were scattered over the State, more or less, under the old scheme, it would not have been possible to have had the close contact between the financial department and those other activities that there was after this consolidation was made.

Mr. TEMPLE. I quite agree with you as to that, but I wanted to bring that point out plainly.

Gov. LOWDEN. It would have been difficult.

Mr. HAWLEY. If the legislature should increase an appropriation, have you the power to veto any item of the bill?

Gov. LOWDEN. I have the power to veto any single item; yes, sir, but I can not reduce any item.

Mr. CAMPBELL. Was there any effort on the part of any of the heads of departments or former bureau chiefs to reach the legislature with a view to increasing the appropriations after the estimates had been made?

Gov. LOWDEN. No, sir. We in a way agreed among ourselves that, unless the appropriations committees wanted some specific information from some department head, division chief, or superintendent of some institution, the point of contact between the executive and the legislature should be through the department of finance.

Mr. TINKHAM. At this last session, did the legislature appropriate any increase over your estimate?

Gov. LOWDEN. I think they did in two or three unimportant things, but there was nothing of real consequence that I can recall now.

Mr. HAWLEY. Have you found it necessary after submitting the budget to submit supplementary estimates?

Gov. LOWDEN. Yes. We submit the budget, which is not published, and then we submit a fuller itemization or analysis of the whole thing for the use of the committees.

Mr. HAWLEY. Did that increase the expenditures?

Gov. LOWDEN. No, sir.

Mr. HAWLEY. You spoke about nine departments that were organized.

Gov. LOWDEN. Yes.

Mr. HAWLEY. Are the heads of those departments appointive?

Gov. LOWDEN. Yes.

The CHAIRMAN. In abolishing 125 boards and commissions, and turning over the functions and powers of those boards, and commissions to the 9 departments, did you improve the efficiency of the service?

Gov. LOWDEN. I think the service was vastly improved. There was no such thing possible before. If the governor worked 24 hours per day, it was not possible for him to know what was going on or what was being done by those 125 independent agencies, but having them organized into 9 departments, and with the heads of those departments with offices in the capitol building where the governor

can be in daily touch with them, whenever a question arises in connection with the department, it can be taken up at once through the head of the department.

Mr. TEMPLE. With the adoption of this budget system, there was a complete reorganization of the administrative machinery?

Gov. LOWDEN. Yes. We had a very difficult problem in this respect. Of course it would have been a herculean task to have revised all of the substantive law relating to those various activities, so that, instead of trying to do that, we finally decided that we would simply bodily transfer the powers of, say, 10 or 15 bodies that were working along the same lines, to a new department, leaving the substantive law to stand. We abolished all of them.

The CHAIRMAN. Did you find any duplication or overlapping in the service under the old plan?

Gov. LOWDEN. Yes, and I am glad you brought that question up. That is a hard thing to prevent. There is the ambition of the official, and, as I have said, it is frequently the best official who sins most in this respect to expand his department. It is a constant temptation to him to take over activities that really belong to some other department. The best check on earth on that tendency is this way of making the budget, because the line between the proper functions of one department and those of another is very shadowy. Unless the thing is carefully watched, duplications will creep in and nobody will discover them in time to prevent them. For instance, if some department recommends some sort of inspection which it thinks will be very valuable for the public, and some other department is really doing that work, when that department comes with its estimate to the director of finance, the director of finance discovers the fact in a minute. If such estimates were put in without any revision, they would, very often, get by. As another instance, take the matter of purchases: You ask if there were any duplications of service under the old system. Every department of the government was purchasing for itself, but under this reorganization, we created the office of superintendent of purchases. He seemed to be more nearly related to public works and buildings under our scheme than to any other department.

I do not say that that would be the proper method here, because there are different considerations entering into the matter; but we decided that buying was more nearly related to that department, because that was the department that was doing big things in a material way. Before that time there was competition between departments, different prices were paid for the same things, and much higher prices paid, but now our purchasing division makes the purchases and gets much better terms. It purchases more cheaply, it takes advantage of trade discounts and of market conditions, and anybody who has something to sell to the State has got to do it through that division. He can not get hold of some friend of his at the head of a bureau somewhere and through favoritism sell it.

The CHAIRMAN. Your attention, of course, has been called to the fact that when an official or department has been performing a certain service and it is discovered that another department is performing that same service, or duplicating it in many respects, each wants to retain jurisdiction?



Gov. LOWDEN. Yes, sir; absolutely. No public official wants to give up jurisdiction over anything that he has ever directly or remotely had anything to do with. That is human nature.

The CHAIRMAN. How do you iron out those conflicting claims between departments? Do you let them both continue performing the service?

Gov. LOWDEN. No.

The CHAIRMAN. What do you do?

Gov. LOWDEN. We simply refuse to make the appropriation. We decide to which one the service properly belongs.

The CHAIRMAN. In making that decision, do you bring the two divisions or branches together?

Gov. LOWDEN. Yes; we bring them together.

The CHAIRMAN. And give them a hearing?

Gov. LOWDEN. Yes, sir.

The CHAIRMAN. And then you finally decide which one should perform the service?

Gov. LOWDEN. Yes, sir.

The CHAIRMAN. Have you been able through this budget plan to eliminate duplications to a large extent?

Gov. LOWDEN. Oh, I think we have. I think we have almost entirely eliminated them.

Mr. TEMPLE. In case the duplication has been authorized in existing law, you have not revised the law which authorizes appropriations for certain work in a certain department, but you recommend the appropriation for that particular department in which you think the work ought to be consolidated?

Gov. LOWDEN. I think that by a fair construction we have been able to find in each case whether an activity belonged to this department or the other department, and by what department the function should be exercised.

Mr. CAMPBELL. Of course, you could cut it out by simply not providing the appropriation?

Gov. LOWDEN. Yes.

Mr. GARNER. Even if the law authorized it to be done, if it were a duplication, you could make the appropriation in such a way as practically to nullify the law so far as the duplication was concerned?

Gov. LOWDEN. Yes.

Mr. GARNER. Therefore, you could get the same result by refusing to make the appropriation as you could get by repealing the law.

Gov. LOWDEN. Yes.

Mr. TEMPLE. I saw the possibility of that, and I was wondering whether it had actually occurred.

Gov. LOWDEN. No; I think not.

Mr. BYRNS. Is it not a fact that duplications occur more frequently because of differences in the interpretation of the law than because of any fault in the law itself?

Gov. LOWDEN. Yes; I think that is right. If you get at the real intent of the legislative bodies, I do not think you will find so much duplication.

Mr. BYRNS. In line with the questions regarding duplication, how do the estimates under this new budget system compare with the estimates formerly submitted under the old system?

Gov. LOWDEN. Of course, that is a very hard question to answer.

Mr. BYRNS. I mean in amount.

Gov. LOWDEN. I understand. That is a very hard question to answer because the system has not been in operation long, and we have submitted only one actual budget, and that was last January. Of course, as you gentlemen know, the prices of everything that enters into governmental expenditures have gone up so tremendously that you can not make a comparison which really would mean very much. This is simply my opinion, but I have not the slightest doubt in the world that with the mounting prices and with the extravagance that prevails in expenditures, both public and private, our appropriations would have been a good many more millions of dollars under the old system than they were under this system. I think that our appropriations for the ordinary expenses of the government—and these, of course, cover the natural growth of the State, which is very considerable in a State like Illinois—our total appropriations for ordinary expenses of government at this last session as compared with the appropriations four years ago when the prices were normal, were about one-third. I do not know of any other State that had so small an increase as compared with four years ago. All that I can say is, that if I can judge by things as they come along—and you can feel it in the atmosphere of legislative bodies, and can sense the general feeling with reference to appropriations—I have not the slightest doubt in the world that if we had not had this system our appropriations would have mounted away beyond what they are.

Mr. GARNER. Was there any increase of taxation for State purposes?

Gov. LOWDEN. No, sir; there was a decrease.

Mr. GARNER. Do you know of any other State where there has been a decrease in taxation?

Gov. LOWDEN. I do not happen to know of any.

Mr. TINKHAM. Governor, will you in a general way explain your audit system?

Gov. LOWDEN. We have an elective State auditor who finally audits all bills to see that they are in legal order; but for our own purposes the thing that we are depending upon most to keep expenditures down is this supervisory power in the director of finance, because he has that power. Very frequently public officials will be given more money than they need. Of course, nobody can anticipate two years in advance just how much will be needed. Now, there is another tendency to be considered: Toward the end of the two-year period, if the expending officer has a very substantial balance, I do not care how good a man he is, he will find some way or other, if he is not watched, to get rid of that balance or reduce it very largely. Now, no auditor simply as an auditor can control that at all, because he must be limited to simply passing upon the legality and correctness of accounts. But our department of finance has power beyond that. The director of finance is the direct representative of the governor so far as general expenditures go. He is not only the head of the department of finance, but he is the eye of the governor, so far as the financial situation of the State is concerned. If some department is getting to be a little bit extravagant in using its appropria-

tion, and there are things being purchased that can be dispensed with, the director of finance has the power to put a check on that.

Mr. HAWLEY. In what way? How can he prevent it?

Gov. LOWDEN. If he thinks that those expenditures, although legal and within the law, under all the circumstances are not warranted, he has the power to refuse to approve the vouchers. Now, of course, when he refuses on that ground, namely, the wisdom of the thing, it comes to me. The governor, as the head of the government, has power over all of those departments, and, as I have said, when the head of a department disagrees with the department of finance in regard to the wisdom of an expenditure, since each is at the head of a department, they have an opportunity to come before me, and they do. When that happens, I settle the matter. However, the fact that the director of finance has that power makes the people all down the line very careful about incurring obligations that are not absolutely needed. You must have that power somewhere.

Mr. HAWLEY. He can go to the department of agriculture, for instance, and look into its expenditures, and if he disapproves any proposed expenditure he can prevent that expenditure from being made?

Gov. LOWDEN. Yes.

Mr. GARNER. Is that authorization a part of the statute?

Gov. LOWDEN. Yes, that is a part of the statute.

Mr. GARNER. Do you appoint the heads of those various nine departments that you spoke about?

Gov. LOWDEN. Yes.

Mr. GARNER. The fact that they are appointive officers would make those suggestions very persuasive in regard to the expenditure of money?

Gov. LOWDEN. Yes; very.

Mr. TEMPLE. Is that suggestion always made previous to the expenditure, or is there a refusal to approve the warrants for expenditures?

Gov. LOWDEN. There are certain very important cases in which, before the expenditure is warranted, requisition must be approved by the department of finance. That is to cover such cases as we think ought to be covered, and so it is taken up in advance to prevent any embarrassment.

Mr. HAWLEY. Suppose some department makes a contract for a certain purpose: Does your department of finance have to approve that contract before it goes into effect?

Gov. LOWDEN. Would that be a contract for purchase?

Mr. HAWLEY. Suppose that is the case.

Gov. LOWDEN. If it is for a purchase, that is done.

Mr. HAWLEY. Suppose it is under the department of public works and buildings and a contract is let for the erection of a building: Would the department of public works and buildings have authority to let that contract?

Gov. LOWDEN. Yes.

Mr. HAWLEY. Before that contract goes into effect, must the director of finance approve it, or does he have authority to disapprove it?

Gov. LOWDEN. No, I would not say so. He would not have authority to disapprove that contract. I am assuming, of course, that the contract is let in accordance with law.

Mr. HAWLEY. Suppose he thinks that the contract is excessive.

Gov. LOWDEN. The contract does not go to him for approval. He is exercising general supervision over expenditures, and it would be his duty, if he thought that somebody was making an improvident contract, to call it to my attention.

Mr. TINKHAM. There is no independent audit on the part of the legislative branch?

Gov. LOWDEN. No.

Mr. TAYLOR. How does this official prevent those heads of departments along toward the close of the biennial period from incurring obligations, before they can be checked?

Gov. LOWDEN. Because, if some three or four months before that time, some pay rolls show extra employees—and that is a favorite form of disbursing unexpended balances at the end of the appropriation period, as you gentlemen doubtless know—he has the legal power to say, “You do not need these men.”

Mr. TAYLOR. After the service was rendered or after the goods were supplied?

Gov. LOWDEN. The extra employees would be paid for that month, but there would be no more of it. The real value is that the power is there and everybody has it in mind, and the result is that employing officials go slowly and cautiously.

Mr. TAYLOR. He is put on his mettle to make a good financial record?

Gov. LOWDEN. Yes.

Mr. GARNER. The whole scheme of the budget system in your State places the financial responsibility upon the governor, or largely upon the governor?

Gov. LOWDEN. Of course, the final authority still abides with the legislature, because it must grant those requests, but the governor takes the responsibility of saying what sums of money, in his judgment, should be expended.

Mr. GARNER. Which enables the people to make that issue in your State in case the governor makes a mistake.

Gov. LOWDEN. Yes; and not only that, but sometimes if a legislature is inclined to be extravagant, you get this benefit; where the governor takes that responsibility, where the legislature appropriates away beyond his budget, then you have fixed a responsibility upon the legislature. In other words, whatever happens, you have fixed the responsibility before the people; and to fix the responsibility, that is why I believe in an individual instead of a board, because if you have an individual at the head of a department, with real power, he can not hide behind a commission or board and say, “It was the other fellow.” You can say, “There is the man,” if something goes wrong. And you get better service if you concentrate and fix the responsibility, and then hold the man who exercises that responsibility to the discharge of his duty.

Mr. PURNELL. In other words, you believe in power with responsibility?

Gov. LOWDEN. I do.

Mr. HAWLEY. But with the power in the governor to veto items?

Gov. LOWDEN. Yes.

Mr. HAWLEY. And while you increase his responsibility, if an item goes through that is manifestly extravagant, he is exonerated?

Gov. LOWDEN. Yes.

The CHAIRMAN. But, Gov. Lowden, what have you to say to this: The governor under that system would have, of course, some pride in his estimates, if he had a tendency to try to coerce the legislature not to look very closely into his estimates, not to reduce them, and then had a tendency, also, to put in men at the head of this division or department who were not good financiers, men with a single idea, while the governor assumed the responsibility to send to the legislature a budget showing a very large increase over previous appropriations, taking in new activities, and then with his desire to have a vote of confidence from the legislature, would not the system, after all, result in an extravagant system and in wasteful appropriations?

Gov. LOWDEN. Oh, I would not think so. I do not understand that the legislature, under any budgetary system that would be adapted to our country, would be relieved in the slightest degree from its responsibility. If it were to pass an extravagant budget, even if it were prepared in the first instance by the executive, the people would hold the legislative body responsible. You have an additional security against extravagance where they originate in the executive, because the tendency all the while is for the bureau and division chief to try to extend his activities; and unless there is some officer in the Government who, as I said a moment ago, is interested on the side of expenditures and not on the side of extending service, you will always get larger estimates than you ought to have. Now, won't it tend to reduce appropriations if you have the advantage of that which in most instances would be exercised to help, but which in any instance could do no harm, because, still, you have the power to reduce if that sort of thing is attempted. In other words, wouldn't it help your committee a lot if some one were to work over here in the Treasury Building from one year's end to the other to analyze the various divisions, bureaus, and departments, and point out extravagance here and waste, and that sort of thing, and to say, "Next year you can not have that money"—would not that help your committee?

Mr. TEMPLE. It would filter the stream before it would get to us.

Gov. LOWDEN. That is very happily put.

The CHAIRMAN. To what extent, in the case of the governor, or in case of a national budget, the President, would he attempt to influence the legislative body to put the budget through without scrutiny or without reductions or increases? That is one of the difficulties, the practical, political difficulty that sometimes surrounds an administration.

Gov. LOWDEN. I understand. While I take it the same test would apply to that that would apply to other matters of legislation, of course, if you are going to get the best results there will be cooperation between the executive and the legislative body. That is what was intended originally, and there is no device of law and no ingenuity of man that can make our form of Government function on any other theory than cooperation of the various departments. In answer to your question—you ask me to speak on the situation here, and I take it that the President, after he had prepared his budget, would be in touch with the chairmen of the appropriation committees of the House and the Senate, and if something developed in one of those



appropriation committees in which there was a disagreement, that would be thrashed out. I do not take it there would be any pride of opinion that would tend to impel the Executive to coerce the legislature simply because he had expressed himself. The Executive should be delighted to have the legislative body point out how he can avoid spending money.

The CHAIRMAN. Under your budget, was an invitation extended to the legislature to examine it with scrutiny:

Gov. LOWDEN. Absolutely. I went before our legislature—they had a meeting of the joint assembly, of the senate and house together, when we were ready to submit the budget. I said to them any information we had was at their disposal, and any differences of opinion that arose we would be glad to discuss. For instance, we have a great many State institutions, as you know, charitable and correctional institutions, and under the practice that has obtained they appoint visiting committees from the legislature to visit those institutions. They appointed those committees as usual, and upon their return they sometimes had suggestions to make. Of course they had the budget in mind, that this thing ought to be done, and perhaps the other thing was not necessary. And what happened? Those committees came in to see me. They were committees partly of my own party and partly of the opposition party, and we discussed the thing, and in some cases there was a difference of opinion. I recall specifically now they felt that at one of our institutions, an orphan's home, we ought to build a new school. We had been in doubt about whether the time had come for that. They thought we ought to include that in the budget. I said, "Certainly," because we were in doubt ourselves. And wherever little differences of that kind arose the committees would come in and get what information we had.

Mr. PURNELL. The visitation committee goes to those various institutions before the budget is presented?

Gov. LOWDEN. No. The budget was before them. They did it before the bills were passed.

Mr. PURNELL. They had then the benefit of the budget before them?

Gov. LOWDEN. Oh, yes; when they went out they had the portion of the budget which pertained to that institution.

Mr. GARNER. How long did the legislature take to consider the budget—the appropriations committee?

Gov. LOWDEN. Oh, I can not say. I suppose——

Mr. GARNER. Sixty or ninety days?

Gov. LOWDEN. Yes. I should say just about that, 60 or 90 days.

Mr. GARNER. The reason I asked that is because we have a short session of Congress, during which we make annual appropriations. That short session has only about 65 legislative days, and time is an important question with us in making the annual appropriation.

Gov. LOWDEN. Oh, yes; I remember that. Instead of delaying this facilitates; the chairmen of these committees said they had never had as easy and satisfactory a time in making up their appropriation bills as they had with this budget before them; that it saved them an enormous amount of work. Because, you understand, where you send for a man who is at the head of a bureau



to come in—I know; I was here once—you are at a disadvantage. You have to take his word; you do not know anything about it, and if you are suspicious of his good faith then you will arbitrarily reduce something, and maybe do the service an injustice in that way. But with this detailed and itemized information with reference to all these things—you see, when they make suggestions to the department of finance, they make an explanation, and, if they are asking an increase as compared with last year, then you see why. The appropriation committee has the benefit of all that; it has it when they meet, and it saves time. You could pass your appropriation bills, assuming your experience was the same as ours, in a shorter time.

The CHAIRMAN. Does the director of finance go before the subcommittees of the appropriation committee?

Gov. LOWDEN. Often.

The CHAIRMAN. Do you have hearings that are taken down in shorthand and printed?

Gov. LOWDEN. I do not think they usually print the hearings. They take them down, but I do not think they usually print them.

The CHAIRMAN. How large a force has the director of finance?

Gov. LOWDEN. Mr. Wright, the director of finance, is here, and he would be glad to answer that.

Mr. WRIGHT. We have something like 10 people in our office, all told.

Mr. GARNER. They handle appropriations for \$52,000,000?

Gov. LOWDEN. That is for ordinary governmental purposes.

Mr. TEMPLE. That is exclusive of the force of the State auditing department?

Gov. LOWDEN. Oh, yes.

Mr. WRIGHT. That is a separate department.

Mr. TEMPLE. That would increase the force quite materially.

Mr. HAWLEY. I notice you have an official superintendent of the budget. What are his duties?

Gov. LOWDEN. Just what the name would indicate. You see, the director of finance has these several duties I described a while ago, and among those is the preparation of the budget. And so there is a division in his department, a budget division, and we simply call the man who is in charge of that work "superintendent of the budget"; and he is under the direction of the director of finance.

Mr. HAWLEY. He is in the office of the director of finance?

Gov. LOWDEN. Yes.

Mr. PURNELL. In actual practice, is it a physical possibility for the governor to give very close scrutiny to all of these various proposals before they are actually embraced in the budget; or do you, as the executive, rely upon your nine heads and your director?

Gov. LOWDEN. I rely, of course, very largely upon the director of finance; not upon the other eight heads, because they are spending departments. They are just as good men as the director of finance, just exactly as good, I take the liberty of saying——

Mr. TAYLOR. But they are spending money?

Gov. LOWDEN. They are spending money, and they are thinking about their projects all the while.

Mr. TAYLOR. And the director is thinking about saving money?

Mr. TEMPLE. You are a sort of court of last resort?

Gov. LOWDEN. Yes. The psychology of the thing is curious. The public official who is not limited, as is the private individual, by his bank balance that tends to control him all the while, which he has to make good himself, is thinking about the things he can do for the public all the while. Now, he may be the best man on earth, but when you are thinking about one thing all the time, you are going to exaggerate the importance of that thing. So, thinking about one thing all the while, he will make recommendations for a lot of things. Now, I say the heads of our departments are just as good men, I think, as the director of finance, but the director of finance is on the other side of the fence. It is his business to keep expenditures down, while these men on the other side of the service from the director of finance are thinking of the things they might do. The director of finance is thinking, How are we going to come out at the end of the year; can not we get along without this?

If some one outside of the Government were to receive these estimates from the divisions and bureaus of the departments and make up a budget without having had this other capacity of a general supervisor of finance to supervise the whole financial situation, he would not do it nearly as well. I am not sure he would make a success of it. It would be an academic budget then.

The CHAIRMAN. You have emphasized the principle of making first the governor responsible for the budget?

Gov. LOWDEN. Yes; because he is the man that the people elect and see.

The CHAIRMAN. And after he delivers his budget to the legislature, you transfer that responsibility to the legislative body, as I understand it.

Gov. LOWDEN. Yes.

The CHAIRMAN. You make it responsible for its acts, either approving it, amending it, or changing it?

Gov. LOWDEN. Yes.

The CHAIRMAN. Now, there are quite a number of people who think that a scientific budget can only be prepared when it is entirely divorced from the popular will, and should be exercised by the creation of a nonpartisan, permanent staff—a staff that is not elected by the people, but appointed by the Executive for a long period of years—quite a radical change in principle from the plan you have outlined. I would like to have your opinion with regard to that method of making a budget by a staff that is appointed by the Executive.

Gov. LOWDEN. Would that contemplate that the legislature would be deprived of the power to change that?

The CHAIRMAN. That would give the legislature the power to change; but the person who might be the executive officer of the State, or the President in the case of the United States, would not himself necessarily appoint that staff. That staff would continue just like the Supreme Court continues.

Gov. LOWDEN. I would want to do a lot of thinking before committing myself as to that.

Mr. TAYLOR. A staff probably appointed to office for life, and under the civil service.

The CHAIRMAN. It might be for a long period of years. And under that plan it would not infrequently happen that the chief executive would have placed before the legislature a budget prepared by a staff with whose creation he had nothing to do, and a budget of which he did not approve.

Gov. LOWDEN. I think that would be a very dangerous experiment. My offhand opinion—of course, a man's offhand opinion is not worth much—but a lot of people try to work out a device by which you get some independent, permanent body that is answerable to nobody, to solve some difficulty. That is not the way things are done. You have to put somebody in a responsible position and then you have to hold him to his responsibility. A lot of people have a theory that in some sort of a way you can by law tie a man's hands so that he can not commit any wrong and still leave him free to do good. I do not believe in that principle; I think you have to give a man power commensurate with his responsibility and hold him to that responsibility. Now, I have not the slightest doubt in the world in practice—for instance, who was the clerk of this committee?

The CHAIRMAN. Mr. Courts.

Gov. LOWDEN. How long did he serve as clerk?

Mr. CAMPBELL. Thirty-odd years.

Gov. LOWDEN. When you were in power, he was still clerk?

Mr. TAYLOR. Yes.

Gov. LOWDEN. This is how this scheme would work out in practice; it is just tentative; I do not pretend to say what ought to be done down here; I have had problems of my own while you gentlemen have been handling your problems down here. But suppose, for the purpose of illustration, that powers like the powers we have conferred upon our director of finance were conferred upon the Secretary of the Treasury. Suppose, in order to have him conform as near as possible to the ideal, namely, that the department that is responsible for the finances ought not to be a spending department, it ought to be on the other side, as nearly as exclusively as possible; you took away from the Treasury Department such things as the Health Service, the Coast Guard, public buildings, and that sort of thing—they do not seem to pertain to that department anyway—so that you really made that a financial department, and he had the powers something like the powers we have conferred upon our director of finance. Now what would happen would be, just as happened with this Appropriations Committee, that he would employ expert men who would do expert work for him, just as Mr. Courts did for this committee; and no administration that has any sense would change these particular men, because they would be too valuable for that particular work. And then you have preserved the idea of responsibility, because the President appoints the Secretary of the Treasury. Now, if some independent body—that is, some one out of the blue ether not related to anybody, supposed to be composed of supermen—were given this work, I do not believe the thing would function.

Mr. BYRNS. There are some who contend that certain restrictions should be placed on the legislative body in reference to adding to the budget, either altogether or by two-thirds or by three-fourths.

Gov. LOWDEN. Yes.

Mr. BYRNS. What is your opinion as to whether or not the legislative body should be given a free hand, or whether it should be restricted in some way in adding to the budget?

Gov. LOWDEN. That is a question upon which I have been in doubt myself. However, I have reached this conclusion that it ought not to be done if it is not absolutely essential. We did not do it and it worked with us.

Mr. TINKHAM. You have only had one budget?

Gov. LOWDEN. We have only had one experience. But I think it would be very desirable not to put these extra restrictions upon the legislative body if it could be avoided, beyond this I am not sure—I can not see much objection to this restriction—but I remember when I was here that really we used to have all sorts of things done that ought not to have been done. I do not believe that a Member who is not a member of the Committee on Appropriations ought to have the freedom of amendment he has on the floor of the House. You are not derogating from the dignity of the legislative body or its power if, after the committee has reported out an appropriation bill, the House has to take that or reject it. Now, I would not for a moment say—I know of some of the writers who have thought we could have a budgetary system in this country like they have in England, but I do not for a moment think that is possible. The difference between the two forms of government are fundamental, because, as I understand the parliamentary practice in England, after a budget is submitted by the Government there is no amendment permitted. Am I right about that?

Mr. TINKHAM. That is right.

Gov. LOWDEN. No amendment is permitted, either increase or decrease?

Mr. TINKHAM. Increase or decrease.

Gov. LOWDEN. Or to strike out; they must adopt it as a whole or reject it as a whole. That is perfectly proper there, because the moment the Parliament is dissatisfied with the budget, they get a new government—they change the government over. Down here we can not do that. In other words, the Government is exercising a legislative function in preparing the budget in England. I think that would be absolutely impossible here; I think it would be dangerous. But here would it not be possible, since the Appropriation Committee is a creature of the legislative body, by an amendment of the rules not to permit every man on the floor who wanted to get up and move an amendment of the appropriation and so get in all kinds of appropriations that have not been considered?

Mr. TEMPLE. I think the floor leader of the opposition party ought to be allowed to offer amendments in order that the other party might have a chance to express its policy in opposition to the policy of the party in power.

Gov. LOWDEN. Can not the minority leader upon the committee preserve his rights in some sort of way?

Mr. TEMPLE. Perhaps.

Gov. LOWDEN. But what I am getting at is where there is a question of principle. That is just simply a suggestion; I am not saying that is practicable.

The CHAIRMAN. After all, that has been magnified by writers who know nothing about our legislative procedure. It is an infrequent

occurrence for an amendment to be adopted on the floor of the House that carries any consequential amount. I think this session in the sundry civil bill, carrying nearly \$500,000,000 as reported to the House—aside from an amendment of \$2,000 offered by the committee and considered after the bill was reported out and found necessary—the only item increased was by \$100 on the floor of the House.

Mr. TINKHAM. Those would be departmental appropriations?

The CHAIRMAN. The facts are, as shown by the records of the House for many years, that the net amount added on the floor of the House is less than one-tenth of 1 per cent of the appropriations.

Mr. KITCHIN. Certainly less than a million dollars a year.

Gov. LOWDEN. I simply threw that out by way of suggestion; I do not say that is needed.

Mr. TAYLOR. Do you care to express yourself on this thought? I have heard some Members of Congress say they had no objection to a limitation or restriction of the other Members outside of the committee having authority to putting amendments on this budget, provided the Senate was restricted in the same way; but they said they never would vote for a budget that would deprive ourselves, Members not on the committee, of the right to add to the budget and then to send the budget over to the Senate and have them shoot it all to pieces and do whatever they pleased with it. Can you give us your thought upon that subject?

Gov. LOWDEN. No. I realize under our form of Government that is one of the difficulties.

Mr. TEMPLE. That is another difference between the American system and the British system.

Gov. LOWDEN. Yes; because the House of Lords has nothing to do with it.

Mr. TEMPLE. Should not the general budgetary principle apply to both bodies—the House and the Senate?

Gov. LOWDEN. Absolutely.

Mr. TAYLOR. You believe the budget should originate in the House?

Gov. LOWDEN. Oh, yes.

Mr. TAYLOR. Then the question is what are we going to do with the Senate; are we going to let them throw that budget to the winds?

Gov. LOWDEN. If they would let the House over here write the rules of the Senate, that would answer the proposition. [Laughter.]

Mr. CAMPBELL. Would it not help in our case where a bureau chief asks for \$300,000 and the House gives him \$150,000, and he waits until the bill goes to the Senate, and there gets the other \$150,000? It would be obviated in your State under your present system?

Gov. LOWDEN. It would be obviated in our State, because after the governor has submitted a budget, if a bureau chief went around to do that kind of business, he would not last long. [Laughter.]

Mr. GARNER. The tendency of the Executive of the Nation has not been in that direction for probably half a century. The Chief Executive of the Nation for the last half century has paid very little attention to finances. He has left that entirely to Congress. That is not only one party, but both parties. The executive is inclined to leave to Congress the question of raising the revenue and expending it. The various departments are asked to estimate for everything



they can possibly use, and the Chief Executive and members of the Cabinet have taken very little interest so far as conserving the expenditure of funds is concerned. I would like to see some kind of a system where the attention of the country is brought to the fact that the Executive is not taking any interest in finances.

Gov. LOWDEN. If you required the President to submit a budget along the lines I have suggested, would not the public pretty generally know what he was asking for?

Mr. GARNER. Governor, we do do that now. We require the executive branch of the Government to send to Congress an estimate of the various expenditures and we require that to come from the Secretary of the Treasury. That has been the custom now for years.

Gov. LOWDEN. I understand that.

Mr. GARNER. So the responsibility, so far as the summing up of the matter is concerned, is with the Executive now. But the people of the country do not seem to understand where he estimates for a given sum and we give him half—they still hold Congress responsible and say nothing about the Executive having estimated for twice the amount.

Gov. LOWDEN. Under the present practice nobody ever revises any estimates. The bureau chief will always assume you are going to cut him down and he will put in everything he can think of, and if he thinks about some new activity, which he honestly thinks is for the good of the country, he puts that in, and then he boosts all his figures. Everybody knows those are the estimates that come in here. So that really you can not hold the President responsible. He is simply acting as a messenger. But if you required him to say what expenditure he believed was necessary for the proper running of the Government, which he would have to do—supposing the Secretary of the Treasury would have to do the work our Department of Finance does and it would go to the President then, and if some other head of a department did not like the ruling of the Secretary of the Treasury he could appeal to the Cabinet or to the President, whichever was decided best (and there would not be so many appeals after all as you think), then the country would know the President says he needs that amount of money to run the Government and he does not need any more. Now, with the State, the fact has been that frequently the legislature has given more than the governor wanted.

Mr. TINKHAM. I think Mr. Garner is mistaken about the Executive having anything to do with estimates to-day. As I understand it, each department makes its estimate and then sends it to the Secretary of the Treasury, and he, merely as a ministerial agency, submits it to the House.

Gov. LOWDEN. Absolutely.

Mr. GARNER. But under our theory, after all, the Executive is responsible for what his agents, the heads of the departments, do. As a matter of fact, under our system a chief of a bureau will get up his estimate and probably the Cabinet member does not know anything about it, but merely sends it over to the Treasury.

Gov. LOWDEN. That is right.

Mr. GARNER. As you say, the President knows absolutely nothing about it and can not give it any consideration.



Mr. TINKHAM. And no responsibility is put on him to know anything about it.

Mr. KITCHIN. It has been my experience, since I have been in Congress, that it has been one long contest between the Committees on Appropriations and the administration, the latter urging larger appropriations and Congress insisting on cutting them down.

Gov. LOWDEN. Yes.

Mr. KITCHIN. Congress itself has saved the people many millions a year by reductions in the estimates of the administration.

Gov. LOWDEN. Yes.

Mr. KITCHIN. I have never known a President to veto a bill because it was appropriating too much, or because it had this or that amount of an appropriation in it. The administrations, all that I have served under, and I have served under Mr. Roosevelt, Mr. Taft, and the present President, have asked for many millions more than Congress has been willing to give; and it has been the effort of the Committees on Appropriations especially to inquire into the reasonableness of those estimates in a real attempt to cut them down to an amount actually required for the public service.

Gov. LOWDEN. Yes.

Mr. KITCHIN. And if Congress had granted all the appropriations which the several administrations have asked, we would have, instead of a two billion or a three billion dollar deficit next year, a deficit considerably in excess of that. There was an illustration here the other day of the deficiency bill which is fresh in the minds of all of us, where the estimates called for about \$47,000,000 and the Committee on Appropriations reduced it to about fourteen million. I remember in Mr. Taft's administration—I do not know that I have the figures exactly—he asked for something like \$75,000,000 more than Congress have him. So it has been the effort of Congress to economize; it has been the fight of Congress against the administrative demands for large appropriations and continually larger appropriations; yet some muckrakers in magazines and newspaper throw the whole responsibility of appropriations on Congress.

I saw in the paper this morning where Mr. Taft wanted some kind of a budget system to keep "Congress from appropriating extravagantly." If I recall correctly, President Wilson suggested in one of his messages a budget system to keep "Congress from being extravagant." What we need in this country is a budget system for the administrations, to keep them from demanding so much. Here is the situation that is going to confront us in every administration, with or without a budget: If the administration and Congress are of the same political party, it will rest with that administration as to whether or not we are going to have economy; and if the administration wants so many millions or hundreds of millions for certain objects, the party in Congress is very apt to follow; that is, if the head of the administration is a pretty popular President with Congress, and they generally are—certainly for the first term or two anyway. [Laughter.] It makes no difference whether he is a Republican or a Democrat, the President is the man to hold down extravagance and really to accomplish economy. If he wants extravagance, his Congress is apt to follow him in it. If he wants economy, Congress will back him. You know how it is and how it works.

Gov. LOWDEN. Yes, but you ought to give him the machinery.

Mr. KITCHIN. Yes.

Gov. LOWDEN. He has not got it now.

Mr. TEMPLE. The trouble is, that we get estimates and nobody is responsible.

Gov. LOWDEN. Absolutely.

Mr. TEMPLE. We can not depend on them and have to get the bureaus here and dig out the information which they sometimes can not give.

Gov. LOWDEN. You are absolutely right.

Mr. KITCHIN. You are right when you say we ought to have some man in the administration who is on the other side of the fence and looking at the problem from the standpoint of economy and how to get the maximum service at the minimum cost. Under our system now, from the President down to the least little bureau, they are spenders; they are taught to spend, not to save.

Gov. LOWDEN. Yes.

Mr. KITCHIN. We have nobody in the Government who is specially looking after the saving and economizing end of it. And we ought to have, as you suggest, some one whose business that will be.

Gov. LOWDEN. And then you ought to give the President the machinery, whatever else is done, by which he can get rid of this proposition of every division chief and bureau chief and assistant secretary and everybody else coming over here quietly, on his own account, and, in return for some favor, getting some appropriation bestowed. If you put this machinery I speak of into practice and then it is understood that nobody is to come here from the department unless you send for him, when you want information with a view to reducing something, a whole lot of this pressure on Congress for appropriations will be removed.

Mr. KITCHIN. I believe there has not been a case in 50 years where the head of a bureau or department came down to Congress and said, "Don't you appropriate this, we do not need it."

Gov. LOWDEN. No.

Mr. KITCHIN. It is always, "Do appropriate this, we must have it."

Gov. LOWDEN. It is always to raise it.

Mr. GARNER. Let me get your idea of how it can be worked out in the Federal Government.

Gov. LOWDEN. That is tentative.

Mr. GARNER. As I understand, you would have some one appointed, called a finance minister or budget supervisor, or whatever the title might be, and during the period between one appropriation and another he would go through the various departments?

Gov. LOWDEN. Yes.

Mr. GARNER. For the purpose of ascertaining the necessities?

Gov. LOWDEN. He would be given general supervision over all these things.

Mr. GARNER. And generally to ascertain whether the appropriations necessary are wisely spent?

Gov. LOWDEN. Yes.

Mr. GARNER. And to be able to report to Congress the situation?

Gov. LOWDEN. Yes.

Mr. GARNER. He also would have power, in preparing this budget, to cut down anything the Secretary of the Treasury, the Secretary

of Agriculture, or the Secretary of Commerce might recommend to him as head of the budget division?

Gov. LOWDEN. Yes.

Mr. GARNER. And after he did that he then would submit the entire budget—after he cut out what he thought ought to be eliminated—to the President, and the President in turn would submit it to Congress with his indorsement?

Gov. LOWDEN. That is absolutely correct with one qualification. I think you have to have somebody of high rank at the head. That is why I suggested the Secretary of the Treasury. You take a bureau man, and these other Cabinet officers would not pay any attention to him; but if the Secretary of the Treasury could be relieved of a lot of the things that are spending bureaus in his department—they have nothing to do really with the financial administration of the country—and he were made the real head of the financial department of the Government, and then given a bureau with some man at the head who would be director of the budget, if you please, that would be one of the bureaus in his department, he would do these things you are speaking about.

Mr. GARNER. And he would be responsible——

Gov. LOWDEN. He would be responsible to the Secretary of the Treasury. Then when some Cabinet officer, who would disregard any bureau chief—they would find one way or another of sidetracking him in practice—when he would have to go to the Secretary of the Treasury, if he had some grievance, he would go against somebody who had an equal rank with him and who had exclusive authority. It is just a suggestion, that you might very properly work out a scheme—I do not have it all in mind in detail—by which the Secretary of the Treasury would really be at the head of this machinery for general supervision and for the making up of a budget.

Mr. GARNER. With the President as final arbiter?

Gov. LOWDEN. With the President as final arbiter. Then if the Secretary of the Interior wanted two or three billion dollars for something, and the Secretary of the Treasury, having been relieved of most of these spending agencies of his, and he is responsible anyway for the financial condition of the country, sees that he can not frame revenue bills which will raise that, and there is a difference between them, then the other Cabinet official can go to the President or the Cabinet, who are to have the responsibility.

Mr. KITCHIN. Why not have the director of the budget an independent officer, not dependent on any Cabinet officer or department, like the Tariff Commission and Trade Commission? Why not have it thoroughly independent?

Mr. GARNER. He is afraid it would not have sufficient influence with the President himself.

Gov. LOWDEN. That is exactly the point.

Mr. KITCHIN. The President is going to be the responsible man there.

The CHAIRMAN. Why didn't you take the treasurer in the State of Illinois for your financial man? He is on a parity with the Secretary of the Treasury?

Gov. LOWDEN. That is a very pertinent question. The first and conclusive reason is he is an elective officer and then his duties are purely formal and perfunctory.

Mr. GARNER. Paying out?

Gov. LOWDEN. Yes.

Mr. TAYLOR. You would have the Secretary of the Treasury occupying the same position to the President as Mr. Wright occupies to you?

Gov. LOWDEN. Relatively.

The CHAIRMAN. Under the Treasury Department, there are about 31,000 employees, and under the War Department there are about 26,000?

Gov. LOWDEN. Yes.

The CHAIRMAN. The question comes up with regard to salaries.

Gov. LOWDEN. Yes.

The CHAIRMAN. For the heads of the bureaus, the chiefs of divisions, chief clerks, etc.

Gov. LOWDEN. Yes.

The CHAIRMAN. There is no relation between the duties required now of these various officials and the salaries received when we compare them with similar positions in other departments. Now, if you gave a member of the Cabinet that additional power over other members of the Cabinet, the question in my mind, Governor, is whether you will not have jealousies arising between the members of the Cabinet, and whether you should not have some person like the Director of Finance, answerable to the President, with a corps and staff of men who are qualified to pass upon the qualifications and salaries of men, whether in the Treasury Department or any other department, and divorce the individual interest that one Secretary might have for his employees entirely from the consideration in the making up of the budget.

Gov. LOWDEN. That is why I suggested you should relieve the Treasury, as far as possible, from these spending agencies. There is force in that suggestion, and there would be a great advantage in having the Secretary of the Treasury, if you can relieve him of a large part of those 31,000 employees, because from now on in the Government we have to consider all the while where we are going to get our money. In the past we did not have to do that; we raised it all by indirect revenue, and nobody worried about what he did. Now we raise it by direct taxes, and it makes a lot of difference these days, and now the Secretary of the Treasury is responsible for raising the money on which we live. If he also could have the final authority over the expenditure end of the thing, so that he would have both in mind, would not that be a logical thing? You can not simply have, it seems to me, a bureau of information or some subordinate body, because it would not have power enough to cope with the heads of the departments. And would it not be possible to take away nearly all these powers that need this large number of men in the Treasury and make it purely the financial branch of the Government—not an administrative branch but the financial branch?

Mr. BYRNS. The difficulty about that is that some of the bureaus of the Treasury Department are what might be called collection bureaus—the Internal Revenue and the Customs Service.

Gov. LOWDEN. Yes.

Mr. BYRNS. With a great number of employees. I hardly see how you can divorce from the Secretary of the Treasury the control of those bureaus. And then there are some other bureaus which come strictly under the Treasury Department.

Gov. LOWDEN. I realize the difficulties there are, but I do think that whatever body is going to exercise these powers has got to be of as high rank as the Cabinet officials.

Mr. GARNER. In other words, you think some officer ought to be created who will stand as well with the President as a Cabinet officer?

Gov. LOWDEN. Absolutely, or else he will be sidetracked.

Mr. GARNER. Or you will get a man who wants to follow the line of least resistance and will accomplish nothing.

The CHAIRMAN. But whatever agency might be created to help the President make his budget, as I understand you, it is to be a budget of the President, and he ought to be held responsible for it.

Gov. LOWDEN. Oh, yes; and when he submits it he must say so.

Mr. KITCHIN. Have you a State treasurer?

Gov. LOWDEN. Yes.

Mr. KITCHIN. Is the director of finance under him?

Gov. LOWDEN. No; the State treasurer is an elective officer, and his duties are statutory. He is really custodian of the moneys.

Mr. CAMPBELL. He is about the same kind of an officer as the Treasurer of the United States.

Gov. LOWDEN. Yes.

Mr. BYRNS. The fact that he is an elective officer is a reason for not making him director of finance?

Gov. LOWDEN. Absolutely.

The CHAIRMAN. Otherwise you would have two elective officers responsible for the budget?

Gov. LOWDEN. Yes.

The CHAIRMAN. And one might hide behind the other if a mistake was made?

Gov. LOWDEN. Yes. Here is one of the things that has come out of our practice. You were speaking of the salaries down here, that you have a great many employees and there is not any uniformity here, I take it, between the different departments?

The CHAIRMAN. Very little.

Gov. LOWDEN. I ran up against that same thing. It is a very serious question in practical administration. We authorized, last winter, the appointment of a body working with our department of finance to work out a standardization of employment to cover these things, and we are at work on that. That is going to help a lot. And you would be working on that, too, if you had one centralized body at the other end of the Avenue who was studying this expenditure end. You would run right up against that difficulty right away.

Mr. GARNER. That probably would be true except when it is applied to groups of Government employees, who have considerable political influence. Probably for employees living in the District of Columbia it might be different, but when it comes to the groups throughout the country if they come to Congress and tell them to jump, they are likely to do it. At least, that has been the general observation.



Gov. LOWDEN. Perhaps one of the reasons I made one of the suggestions a moment ago about the right of a Member on the floor to offer an amendment sprung from the experience I had on that very thing. For a time, while I was here, I was a member of the Post Office Committee, and we reported out a bill after a most diligent study. It went through swimmingly until it got to that item, when some gentleman arose and moved to raise the salaries of somebody—I forgot how much. The committee was not in it. The committee might just as well have been home when it came to that proposition. That proves your point. [Laughter.]

Mr. KITCHIN. That was under a Republican administration. [Laughter.]

Gov. LOWDEN. Oh, sure; that would not happen now. [Laughter.]

Mr. TEMPLE. Why did not the committee make a point of order against it, that it was an appropriation not authorized by law? Any member of the committee could have stopped it.

Mr. HAWLEY. The English system has an officer whom they call the comptroller and auditor general.

Gov. LOWDEN. Yes.

Mr. HAWLEY. A parliamentary officer?

Gov. LOWDEN. Yes.

Mr. HAWLEY. He can not be removed except on the request of both houses addressed to the Crown. They have also a public accounts committee. The comptroller and auditor general keeps accounts for the legislative branch, and everything necessary for the information of the legislative branch must come to him. He reports any irregularity that he discovers in the expenditure of money to the public accounts committee, who call in the expending officer concerned and, after hearings, determine what they shall report to the Parliament. Would you suggest that we have a similar officer in this country on the part of Congress, to have supervision and make examination of expenditures and keep books for Congress on expenditures in departments for all of the departments of the Government?

Gov. LOWDEN. Of course there ought to be somewhere—I know what their practice is; it is just as you have stated it over there, and, of course, Congress ought to have, since it grants supplies to the Government, some kind of a check. I have never worked anything out.

Mr. HAWLEY. You remember when you were in Congress it was almost impossible at times to get certain information regarding the expenditures of a preceding year?

Gov. LOWDEN. Yes.

Mr. HAWLEY. If we had a similar department in this country, couldn't we ask the comptroller and auditor general what the facts are and make it his duty to furnish them? Would we not get them immediately, completely, and without question?

Gov. LOWDEN. Theoretically you ought to have that officer who is answerable only to you.

Mr. HAWLEY. Why not practically?

Gov. LOWDEN. So far as our experience has gone out there, our office of the director of finance is open to members of the legislature and every one else, all the while. They can get any information they want there at any time. Of course they are not answerable directly

to the legislature; they do not meet the theoretical requirements of the case, but in practice they do give all that information. And if our legislative body had an officer of that kind, he would really be duplicating the work we are doing on our end.

Mr. TEMPLE. Is not that the work of the auditor rather than the director?

Gov. LOWDEN. Of course all the auditor can do, the auditor can simply say whether an expenditure is in accordance with law.

Mr. TEMPLE. To see that expenditures are made within the terms of the appropriations?

Gov. LOWDEN. The finance department must go away beyond that.

Mr. TEMPLE. Oh, yes.

Gov. LOWDEN. If it is going to exercise a real control over expenditures.

The CHAIRMAN. In a broad way, Governor, the national expenditures must be fifty times what the expenditures are in the State of Illinois.

Gov. LOWDEN. Yes; a good deal more than that.

The CHAIRMAN. And the activities of the Government are multiplied more than that.

Gov. LOWDEN. Yes.

The CHAIRMAN. Now State activities are largely confined to the control of public utilities, the handling of universities and State institutions, institutions of correction, prisons, and things of that kind, in which most of your money is expended, whereas in the National Government we have expenditures to make in every State in the Union and, in the past, as Mr. Kitchin says, Congress has not appropriated at times what the Executive asked for.

Gov. LOWDEN. I know that.

The CHAIRMAN. And then there comes in that desire to do the thing any way, whether Congress provided for it or not, and to find the money from some other fund, and the tendency has been—without regard to the party in power—to make an appropriation that was given for one purpose available for some purpose for which Congress had decided it would not appropriate anything. Now with the Comptroller of the Treasury an appointive officer and every auditor an appointive officer, it is easy to be seen how appropriations made for one purpose can be twisted into most any purpose that an executive desires.

Gov. LOWDEN. Yes.

The CHAIRMAN. Unless, therefore, in a big institution like the National Government, there is an auditor general or a comptroller general who holds his position not by reason of appointment of the Executive, but who stands there as an independent branch, like a court of finance, to say you can not use that money for that purpose because Congress never appropriated it for that purpose, and who can say that without fear of removal, and the auditor, without fear of removal, can come before this committee, which he can not do under our present practice without fear of being removed, and tell the truth—that is, I do not say they want to come here before a committee and tell what is not true, but they will fence for hours in trying to keep the committee from a realization of all the facts that

exist, and the committee having in charge appropriations ought to have all the facts, everything——

Gov. LOWDEN. Yes.

The CHAIRMAN (continuing)—and ought to know where there is duplication, where inefficiency, where men are not giving attention to their business and where money is not being spent in accordance with the appropriation—it seems to me unless we have some branch or officer somewhere, answerable particularly to Congress, I can see how the very system you have described (and you have described it so we all thoroughly understand it), might be perverted and the very ends that you would have accomplished not be accomplished at all.

Gov. LOWDEN. Oh, of course, you have to assume that any system is liable to abuse. As I said a moment ago, theoretically and maybe practically, if it were to turn out that it were abused, I say there should be an independent auditor or an independent comptroller.

Mr. GARNER. It would not necessarily mean an independent auditor. Suppose you transferred from the Executive branch of the Government the Comptroller of the Treasury and all auditing departments to the legislative branch of the Government and under its jurisdiction, you would accomplish the same purpose that is being done now, except it would be responsible to the legislative branch instead of to the executive; that is the only difference. I think that you would get equally as good service and not be subject to the criticisms that Mr. Good has just referred to.

The CHAIRMAN. We now have independent auditors; we have an Auditor for the War Department, an Auditor for the Navy Department——

Gov. LOWDEN. Yes.

The CHAIRMAN. An Auditor for the Department of the Interior, an Auditor for the State and other departments, practically auditing their own expenditures.

Gov. LOWDEN. That is right.

The CHAIRMAN. Which is not the way any financial institution would do at all.

It seems to me that the perfect system so far as appropriations and expenditures are concerned would be a system where you took a check and a balance against appropriations as well as against expenditures. As it is now, Congress knows nothing except what we pick out in a fragmentary way in regard to expenditures; whether they have been made strictly according to appropriations; whether there is efficiency procured, Congress has a very meager method of securing information.

Gov. LOWDEN. I appreciate that need.

Mr. HAWLEY. Under the English system I just referred to, other than for the army and navy departments, that all comes into the office of the comptroller general. If the auditor or comptroller general believes it is not advisable or an excessive expenditure, he brings that to the attention of the public expenditures committee before the money is expended. It is not a case of condoning something that has happened; it gives the legislative body power to prevent something.

Gov. LOWDEN. Of course, we exercise that through the department of finance, but our department of finance is not answerable to



the legislature; that is the difference. I realize the force of what you stated, Mr. Good, that it is very difficult for Congress to find out now just what has happened with a lot of these things. I am not opposing that at all. I have felt that the real important thing was to begin the machinery so that in some sort of a way we could fix some responsibility on the executives for expenditures, which have not been done in the past. These other things might be necessary.

The CHAIRMAN. It would seem to me along that line, as you prepare the machinery for the executive, that he may know or measure his responsibility and respond to it, so you must give the Congress the machinery to assume its part of the burden and respond to the full measure of their responsibility, and it seems to me that we must have some arm connected either with the legislature or an independent branch that can come freely and without fear of removal and give us an account of all that takes place, because we might have a director of finance——

Gov. LOWDEN (interposing). Oh, yes.

The CHAIRMAN. That would be misleading us.

Gov. LOWDEN. Yes.

The CHAIRMAN. And if you could have a complete check and balance on both sides, it seems to me you are removing, so far as it is possible to remove it, any chance for corruption or for misleading the legislative branch.

Gov. LOWDEN. Yes.

Mr. HAWLEY. Now, the question of expenditures is largely based on public policy.

Gov. LOWDEN. Yes.

Mr. HAWLEY. A great proportion of the expenditures made by Congress in a year are based on public policy.

Gov. LOWDEN. Yes.

Mr. HAWLEY. If the appropriations were without any power of the legislative branch to alter them, and without this check and balance, then that would be largely executive, while the public policy of the country is suggested or shaped by Congress as much as by the Executive. Congress might be without effective means of giving expression to its will.

Gov. LOWDEN. Of course, in making up the budget—there are certain matters of public policy that I recommended to our general assembly—but in making up our budget, we did not take into account those questions at all.

Mr. HAWLEY. The matters must be based on expenditures. In the Public Health Service you have to have a budget; how widely does it function?

Gov. LOWDEN. Whatever policy has been provided by the legislature. We would not provide for any activities with appropriations that the legislature had passed upon.

Mr. HAWLEY. But the Congress is continually confronted with new things to be done?

Gov. LOWDEN. Yes.

Mr. HAWLEY. New policies to be determined upon.

Gov. LOWDEN. Yes.

Mr. HAWLEY. And our opinion of that is expressed both in legislation and appropriation.

Mr. GARNER. Yes; but we could provide—we have rules now that we can not appropriate, except for those things authorized by law.

Mr. HAWLEY. I say, both by legislation and appropriation.

Mr. GARNER. Then Congress could take that up.

Mr. BYRNS. Is that your system in Illinois, that you do not take up things except they are provided by law?

Gov. LOWDEN. In practice we do not put in anything except that which is provided by law.

Mr. HAWLEY. And any additional policy you favor you put in the form of a supplemental estimate?

Gov. LOWDEN. Yes, sir.

Mr. HAWLEY. A new estimate?

Gov. LOWDEN. Yes, sir.

Mr. GARNER. And that matter is passed upon by your legislature?

Gov. LOWDEN. Yes.

Mr. TEMPLE. You have to have new legislation?

Gov. LOWDEN. Yes; if new legislation is enacted, a supplemental estimate would have to go in.

Mr. TINKHAM. Do you happen to know, Governor, what countries have a budget system?

Gov. LOWDEN. Only in a general way.

Mr. TINKHAM. I would like to make a statement that the following countries have a budget system.

Mr. TEMPLE. Pardon me; do you mean all the same system?

Mr. TINKHAM. The following countries have a budget system: Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Bulgaria, Canada, Chile, China, Colombia, Cuba, Denmark, Dominican Republic, Ecuador, Egypt, France, Germany, Great Britain, Greece, Guatemala, Honduras, Hungary, Italy, Japan, Liberia, Luxemburg, Mexico, Montenegro, Netherlands, Newfoundland, New Zealand, Nicaragua, Norway, Panama, Paraguay, Peru, Portugal, Roumania, Russia, Salvador, Serbia, Siam, Spain, Sweden, Switzerland, Union of South Africa, Uruguay, Venezuela.

The CHAIRMAN. That all depends on how you define a budget. Some of them have a budget from which I hope we may be delivered, or so far removed that it would not be like them.

Mr. BYRNS. We have a budget too, in a way.

The CHAIRMAN. A man took two hours to convince me we had a budget.

Mr. TINKHAM. Let me state here that so far as that is concerned this statement is true:

Each of the countries named operate their national finances through what is known as the national budget system. The general features of this system common to substantially all of these countries are the preparation of the budget estimates by the executive branch of the Government, their revision and consolidation by some central organization in the executive government; the submission of the budget to the legislative branch by the executive upon the authority and responsibility of the executive, the consideration of the budget as a single and unified bill by the legislative branch, the influence of executive responsibility for the demands of the budget causing the legislature to make few changes, the execution of the budget by the executive, and independent audit of the executive accounts.

**Mr. GARNER.** We have everything of that, except the independent audit.

**Mr. TINKHAM.** And the initiative by the executive.

**Mr. GARNER.** And that is all sending estimates to the Congress.

**Mr. TEMPLE.** I notice several members have spoken of a budget system as if there were only one.

**Gov. LOWDEN.** Yes, sir.

**Mr. TEMPLE.** My observation leads me to believe there are several budget systems, and we have one that needs improvement.

**Gov. LOWDEN.** I think that is a correct statement.

**Mr. BYRNS.** Governor, after the appropriations are made, and expenditures are made, I take it there is a report made to the legislature as to the manner in which the expenditures have been made?

**Gov. LOWDEN.** Oh, yes.

**Mr. BYRNS.** Now, does the legislature make any investigation as to the method of making those expenditures?

**Gov. LOWDEN.** Oh, no formal investigation is made by the legislature. Of course, if they want individually or possibly by a committee to inquire into something, they do it.

**Mr. HAWLEY.** Do they inquire whether they have been made according to law?

**Gov. LOWDEN.** Oh, yes.

**Mr. PURNELL.** Have you calculated in dollars and cents, Governor, the amount saved by the abolishment of those boards and the salaries and so forth?

**Gov. LOWDEN.** No; that would be impossible, because I say—

**Mr. PURNELL** (interposing). There is a great saving?

**Gov. LOWDEN.** Oh, a great saving; there is no question of that. For instance, take our appropriations for the period beginning July, 1917; we made our appropriations the winter preceding, proceeding upon the basis of appropriations two years before. Of course, in 1915 the prices were way down, as you may remember, compared with now. And we ran two years on appropriations made on the old basis, the basis of 1915, with an unexpended balance in every department of the government except the department of public welfare, which has charge of the charitable and correctional institutions. Of course, the increased cost of food and clothing and all that sort of thing made a deficit in that department, but the appropriations were made on the basis of two years before. Now, in every other department of the State government and in every branch of that, except that of supplies and salaries, there was an unexpended balance at the end of the two years, whereas originally we had deficiency bills even under normal conditions, and that, under war conditions, would have been absolutely impossible if it had not been for the saving that was effected by this consolidation.

But the biggest gain, after all, is in the efficiency. There is no comparison between the efficiency of the centralized control of affairs and the old scattered agencies; no comparison at all.

**Mr. PURNELL.** Then an additional advantage of the budget system is the fixing of responsibility?

**Gov. LOWDEN.** There is no question about it.

**Mr. TAYLOR.** Is there any law, or do you deem it necessary, that the budgets, when submitted, may be published so that the public

may know in a general way what is being submitted to the legislative body?

Gov. LOWDEN. No; there is no provision for that.

Mr. TAYLOR. I suppose the press does carry it fully, so that they know whether it is efficient?

Gov. LOWDEN. Yes; it is a matter of public information, and they give it full publicity.

Mr. TEMPLE. How widely is this publication distributed [referring to a book on the table]?

Gov. LOWDEN. I could not answer that. Could you, Mr. Wright?

Mr. WRIGHT. It is sent pretty generally broadcast.

Mr. TEMPLE. I thought you might know how many copies were printed.

Mr. WRIGHT. No; but I think 2,000 copies.

Mr. TEMPLE. That would be enough to supply all of the public libraries?

Mr. WRIGHT. Yes; we sent them to all the public libraries.

Gov. LOWDEN. You understand that detailed information went to all the members of the legislature, so that they could have the information on which we made this up, for their own use.

Mr. TINKHAM. We have been talking about appropriations; we have not said anything about revenues. In your estimates I suppose you outline what the revenues are for the year?

Gov. LOWDEN. Yes, sir.

Mr. TINKHAM. Then, suppose your estimate of appropriations exceed the revenues, what do you do, and where is the responsibility?

Gov. LOWDEN. This is the situation in that respect: We raise a certain amount of revenue from indirect sources, of course, the same as any other State—fees and interest on public funds and all that kind of thing. Now, we make an estimate of what they will amount to. The balance that is necessary is raised by general property tax. That tax is fixed by a board composed of the governor, the auditor, and the treasurer, so when our general assembly gets toward the end of the term it passes a law each two years permitting this board to raise not less than so many million dollars by general property tax to cover the expenses of the State in excess of the indirect revenue, and then we meet after that in December—the governor, the auditor, and the treasurer—to figure out what the general tax rate would have to be.

Mr. TINKHAM. In other words, you never have a deficit?

Gov. LOWDEN. No.

Mr. TINKHAM. And if you recommend what is a very large appropriation bill or budget bill, then you are responsible for fixing a tax rate to meet it?

Gov. LOWDEN. Yes; to meet it, that is right.

Mr. HAWLEY. And no question of policy in the matter of taxation arises like there is here in Congress?

Gov. LOWDEN. No.

Mr. TINKHAM. So there is no responsibility there so far as the income or tax rate is concerned?

Gov. LOWDEN. Yes; they have their responsibility for the size of the appropriation, and then, of course, we have more or less indirect revenue—raise a great deal of money by indirect revenue—and they are

responsible for the laws which raise that, the inheritance tax, and so forth.

Mr. TEMPLE. Then, do I understand that they fix the rate, and this board fixes the mileage?

Gov. LOWDEN. Yes.

Mr. TEMPLE. Then the whole policy is legislative?

Gov. LOWDEN. Yes; to that extent. Of course, the board know—they are directed by the legislature to raise so much, but it is not much more than a matter of computation for the taxing board. That is, if they discharge their duties.

Mr. TEMPLE. On that particular type of revenue, on the general budget?

Gov. LOWDEN. Yes.

The CHAIRMAN. Anything further?

Gov. Lowden, we thank you very much for coming down and giving us this information.

Gov. LOWDEN. It has been a pleasure to me, I assure you.

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MONDAY, SEPTEMBER 22, 1919.

**STATEMENT OF MR. OMAR H. WRIGHT, DIRECTOR OF FINANCE  
FOR THE STATE OF ILLINOIS.**

The CHAIRMAN. Mr. Wright, you are the Director of Finance of the State of Illinois?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. What previous experience had you had in the matter of financial affairs?

Mr. WRIGHT. For a large part of my life I have been engaged in banking and in various lines of business activity.

The CHAIRMAN. Do you give your whole time to the duties of your office as director of finance?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. How large a staff have you in that office?

Mr. WRIGHT. We have directly in that department something like 10 or 12 people, but under the code law which provides for the department there is a provision which makes it possible for any department to call for assistance from any other department and to have help assigned to it. On that theory we exchange work among the other departments from time to time.

The CHAIRMAN. In that way you can utilize or mobilize the entire strength, so far as the personnel is concerned, among the various establishments?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. Do you call on the various departments for assistance?

Mr. WRIGHT. From time to time; yes, sir.

The CHAIRMAN. Do you have any efficiency experts in your department?

Mr. WRIGHT. Well, we have no so-called efficiency experts, I take it, but, for instance, if I may digress, in connection with appropria-



tions to be considered relative to new buildings, Illinois has probably from \$30,000,000 to \$40,000,000 invested in public buildings. The repair program has been quite a serious question, and the necessity of new buildings is a question that is always coming up. Now, preliminary to the submission of our budget to the governor and the legislature, we called upon the department which controls the engineering and architectural end of the State's work for assistance in their department, and made a complete survey of the properties in the State. We found the time at which they were erected, the style of construction, area, the situation in regard to their heating plants and plumbing, and everything else in connection with their physical condition, the survey setting up in detail just what was necessary in order to put the properties in first-class condition; so that when the request came in from the department for various large lump sums, which was the established practice, we were able to sit down with them across a table, and show them that it would only take this much, that much, or so much, to put those properties in first-class working condition.

The CHAIRMAN. Do you personally visit those various plants?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. Do you go into their methods and the matter of their efficiency?

Mr. WRIGHT. We have our superintendent of budget who really looks after those details. He does that with some of the men under him, and he has two. We have an expert bookkeeper, for instance, in the department who makes periodical visits to the institutions. One of our serious problems there was the fact that our institutions had no orderly, uniform system of keeping records and accounts. There was no standardized form of accounting.

The CHAIRMAN. Do you standardize the bookkeeping systems for all of the various departments?

Mr. WRIGHT. It has been practically standardized. We are now working on one important phase of it, and that is the industrial operations of the penal institutions, which we are endeavoring to expand in the State to a considerable degree.

The CHAIRMAN. Suppose you were considering an estimate from your State university; explain to the committee how you would go about your work and just what you would do. State where the estimate originates, and then what you would do in the matter of whipping it into shape.

Mr. WRIGHT. The estimates, so far as we are concerned, would come from the director of the department which has under its control the various institutions. Naturally the estimates are submitted to him by the heads of divisions and the heads of various sections within his department. I might go a little further back and say that our code provision for the auditing of accounts made it possible for us to set up in our office full details of expenditures for a period of 15 months, and that is really the detail work at the bottom of the budget. We have in Illinois what we term standard appropriation accounts. I do not know whether the National Government appropriations are made on that basis or not, but I take it that they are not. Appropriations must by some definition fall within those appropriation accounts. It is not possible to transfer funds appro-

priated for any purpose from any other funds. For instance, we have appropriation accounts covering salaries and wages, traveling expenses, equipment, office expenses, permanent improvements, and the like. Then in our office we set up in very large detail subclassifications of the accounts. Such records were kept throughout the first year in that way in order to get a unit period. Then when our budgetary blank was submitted for the detail estimates, the budgetary items of expenditure were entered by our bookkeeping employees in the office, so that when an estimate called for a certain amount for postage, clothing, this thing, or that thing, we were able immediately to turn and see what the expenditure for the previous year had been for exactly that same term.

Then, unless it can be shown that this item has increased a certain percentage, they are immediately put on the defensive to make good on any request that may be made for any larger amount than the expenditure for the previous year. Unless there has been some radical changes or expansion in the department, the showing can not be made. To show you how that worked out, I recall that the request from our public welfare department, having charge of the State institutions, totaled something like \$24,000,000. When we were through considering the question, based on the figures which we had accumulated and which we had obtained from our surveys of their properties, the budget recommendation totaled a little over \$18,000,000, cutting out practically 25 per cent from the estimate. The director of that department informed me, after it was all decided on, that he really thought he had sufficient funds to operate his department satisfactorily.

Now, going back to answer your question more specifically, our blanks went out sometime in August for the budget which was to be submitted to the legislature early in February. When those blanks came in, we simply called for hearings. We endeavor in every way possible to make our hearings public—not especially public, but to give a very complete hearing. We send for the several division heads, and sit around the table simply matching our information and matching our judgment against that of the director or head of department, engineers, heads of divisions, etc., and in that way we endeavor to reach a logical, reasonable, and orderly amount necessary to be appropriated to meet the necessities of the division or department.

The CHAIRMAN. In those hearings, do you have employees or officials to come before you at Springfield, or do you go to the different institutions?

Mr. WRIGHT. They come to Springfield. We do not have very many employees except such as we may have in connection with the State departments located in Springfield, and they are very few.

The CHAIRMAN. After you have prepared your budget for the governor, then what do you do with your organization? Do you keep right at work?

Mr. WRIGHT. Yes, sir. For instance, you touched in your hearings this morning upon a problem which we found to be an extremely perplexing one, and that was the question of salaries. We have that problem in a less degree, naturally, than you have in connection with the salaries being paid groups of employees who are



performing practically the same class of work, and, as was explained to you, we wanted them standardized. At our request we were able to get through a bill providing for a salary standardization commission. We want standardization, because in our budget recommendations we advocated the appropriation of lump sums for salaries and wages. That raised a storm of protest, as we expected it would.

The discussion and arguments which were brought forth in connection with that developed the fact that a standardized salary schedule would solve a great many of those problems, if not all of them—that is, by the minimum and maximum wage schedule. We were able at this time because of the discussion brought about to get the legislature to make the appropriations for specified positions “not to exceed” a certain amount, and that gives the executive officers an opportunity to employ people who, for instance, are beginning work at a less amount than the appropriation act calls for, and in that way it enables them to hold out some incentive to a good employee to perform more capable and efficient service. That is one of the problems that is taking up the time of some of our people now, and we are working out a standardization of salaries. We are getting together all of the information and all of the experience of some of the different States and of Canada, with the idea that we will be much better equipped at the next session of the legislature to formulate some logical plan of handling the salary problem.

Mr. GARNER. Suppose the heads of the different departments that you appropriate for were inclined to give higher salaries than the salaries authorized in the beginning of service. There would not be much incentive then——

Mr. WRIGHT (interposing). No, sir. That is a question, of course, where we are helpless to a certain extent.

Mr. GARNER. Suppose you had a situation where some of your employees were unionized and were demanding more pay, and each side of the chamber was doing what it could to get as much of that vote as possible, each side striving to give a larger salary; that would not work out very well, would it?

Mr. WRIGHT. No, sir.

Mr. BYRNS. I suppose in determining the amount to be appropriated you really fix for the employees the amount that you think is necessary for the particular service?

Mr. WRIGHT. Yes, sir. There is supplementary information submitted by the governor. Supplementary to our lump-sum budget there is submitted to the legislature orderly estimates. The totals, of course, are the same in those estimates as in the other, but they carry out in great detail the estimates with a full explanation as to the need of the appropriations for the different purposes. For instance, we appropriate in Illinois and have for many years, for example, for 10 bookkeepers in a department at so much per annum, and for five stenographers at so much per annum, but the wording of the last appropriation act is “not to exceed” so much.

Now, we have weekly directors' meetings, so that the heads of the departments can get together about a table and exchange information as to what they are doing. I think that one of the most important services that we are rendering in Illinois is by our requirement that



every department in the State shall furnish a monthly detailed statement of its financial operations set out in appropriate items. We require them to report to us on the first day of every month the amount of each appropriation, the amount expended for the period up to that time, the bills on hand unpaid, with a list of the parties to whom the money is owing, and with whom contracts and orders are outstanding, with a figure as to the free available balance left on hand for future needs. Now, as soon as those reports come in they are digested and tabulated, and we send back to each department a statement showing the condition of such department or division, together with a statement showing what the other departments are doing, with a percentage attached to each as to the expenditures which are being made. One of the great problems in the State government of Illinois, and I think it is so in other States, has been the deficiency habit. A department in stating the amount of the unexpended balance in an appropriation would give a figure that was absolutely valueless, because there would be all sorts of obligations outstanding in the nature of unpaid bills, etc., so that the figure that they would give would be of no value at all.

It would be no better than a figure showing a bank balance with all sorts of checks scattered around not yet paid. The result, now, is that just the moment we find that some division in the State has been running along, for instance, for six months expending and encumbering more than half of the appropriation for the year, we get them on the carpet. We call the head of that department in or write a letter asking for a full explanation. If the demands have been abnormal for that period and he fully explains it, well and good, but if not we notify him that the expenditures must be reduced, and that we will refuse to approve requisitions and vouchers until his rate of expenditure is brought down within the appropriation.

Mr. PURNELL. Have you power to refuse to pay those obligations that he has incurred?

Mr. WRIGHT. We have the power; yes, sir. The power is there, and there is no question about it. It is simply a question of exercising it. We lock the door before the horse is stolen, though, if we can. The governor failed. I think, to bring out the question, except in a large way, that we pass on practically all the requisitions; and for large amounts no purchase can be made without first submitting them to our department in the form of requisitions, stating that they desire to purchase such an item at approximately such a price.

The CHAIRMAN. Do these come in after the appropriations are made?

Mr. WRIGHT. Yes, sir; but before the purchases are made. If we find that a department is spending money more rapidly than it ought, we put the brakes on when passing on requisitions.

Mr. TEMPLE. It is not a question of approving warrants?

Mr. WRIGHT. No, sir. If the purchasing department, because of the abnormal market conditions that exist, can not make their purchases as low as formerly—

Mr. HAWLEY (interposing). I thought the governor said this morning that you made all the purchases.

Mr. WRIGHT. No, sir; there is a purchasing division in the department of public works and buildings.

Mr. TINKHAM. Your department is the department of finance for which the current appropriation is \$84,966?

Mr. WRIGHT. Yes, sir.

Mr. HAWLEY. He said the purchases were made by one department.

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. The governor stated this morning that you had a civil service department. Are all of your employees under civil service, or are they changed with each incoming administration?

Mr. WRIGHT. No, sir; not all of them. The legislature occasionally, as it has done at different times in the past, exempts by statute certain employees from the operations of the civil-service law, but practically all of our clerical forces, such as bookkeepers, stenographers, and various people of that kind are under civil service.

The CHAIRMAN. How about the employees of the various State institutions?

Mr. WRIGHT. They are under civil service.

Mr. BYRNS. How about your employees who pass upon the requisitions or accounts? Are they subject to removal?

Mr. WRIGHT. The heads of divisions are subject to removal. Some of those whom we might call on for information, and those who have final approval of accounts are subject to removal.

The CHAIRMAN. What are the functions of the finance department? You only recommend to the governor, do you not?

Mr. WRIGHT. Yes, sir. Really under previous acts and usage, practically a very small percentage of the appropriations and the vouchers were required to be approved by the governor. Of course, the governor could not approve them personally or know anything about them. As the work expanded, that was turned over to what was called the institution auditor. When our department was created all of that work was taken over by the department of finance, with the result that we really represent the governor entirely. We simply sign his name where his approval is necessary. We take his place with that work which was formerly put upon him. Now, beyond that is the question of the budget, the question of approving or disapproving vouchers and the question of standardizing the book-keeping and the accounting forms in all of the State activities.

The CHAIRMAN. What check do you have on the various institutions of the State, or about how often do you or some person connected with the finance department visit the various institutions?

Mr. WRIGHT. Well, we have no regular visiting schedule of any kind. If an institution's affairs are involved, we simply make more frequent trips than we would otherwise. We seldom go to some of the institutions, because we know how they are getting on. We are able to tell from the reports they are making, and we are able to tell in other ways. I would not undertake to say how, but from correspondence, meeting the men, from the way purchases are made, and from the percentage of expenditures. It does not take us very long to know whether the institution is being conducted carefully along business-like lines, or whether they need to have some one to go to them and make an investigation. It is the same way with a bank examiner. He knows whether he has banks in existence that need closer attention than some other banks.

The CHAIRMAN. Do you send accountants to the institutions to go over their books?

Mr. WRIGHT. Occasionally; yes, sir. We have the power of audit, but the State auditor also has that power in his office. That is where there is an overlapping of functions, and for that reason, after a conference with the auditor, we accept his audits. They come in from various institutions from time to time, and we do not make independent audits ourselves, although the statute gives us that power.

The CHAIRMAN. Who passes on the legality of the expenditure or proposed expenditure to see whether or not an appropriation that is proposed to be used is available for this purpose?

Mr. WRIGHT. In the final analysis, those things are submitted to the attorney general for decision. Occasionally we have those things come up for consideration, whether certain expenditures lie within a certain jurisdiction.

Mr. HAWLEY. Do you raise that question?

Mr. WRIGHT. We might raise it, or the managing officer might raise it.

Mr. HAWLEY. But you have the power to raise it in each instance?

Mr. WRIGHT. Oh, yes.

Mr. HAWLEY. Is this a correct interpretation of your function, that you stand, as it were, by the treasury; and before any money issues therefrom to be expended in anybody's judgment or discretion it must have your approval?

Mr. WRIGHT. Yes; that is, with the exception of the constitutional officers, you understand.

Mr. HAWLEY. Yes; I mean where it involves discretion?

Mr. WRIGHT. Yes, sir.

Mr. HAWLEY. And no money can be issued out of the treasury, and no money can be expended on contracts, unless it has your approval?

Mr. WRIGHT. I would not go so far as to contracts. The discussion came up this morning that the department of public works and buildings makes the contracts. That is all done under competitive bids. It is necessary to have a copy of that contract filed in our department.

Mr. HAWLEY. Could you hold up payments thereon?

Mr. WRIGHT. I think we could, but as it actually works out we send a representative from my office when the bids are opened up; they call for him, and when the bids seem to be in regular order it goes through. So far as the question of working out in a practical way, we have not had it raised.

Mr. HAWLEY. Suppose the public works and buildings division were to open bids for the construction of a certain building, which, in the judgment of yourself or your representatives, were all in excess of a reasonable price, now could you or your representatives prevent the letting of a contract on any of those bids?

Mr. WRIGHT. I doubt if we could legally prevent the letting of the contracts; that is, so long as it was within the appropriation.

Mr. HAWLEY. In some cases, then, when standing by the treasury, money can come out which in your judgment—

Mr. WRIGHT (interposing). No; do not misunderstand me. We could prevent—as it would work out in practical application, I take it it would simply be this, if in our opinion a contract should not be awarded to any bidder we would simply notify the department

that we would refuse to approve the vouchers and reach it in that way under that contract.

Mr. HAWLEY. You reach it in another way?

Mr. WRIGHT. Yes, sir.

Mr. TINKHAM. You have recommended, on the tenth page of this book [referring to book on the table], as follows:

A finance code should, in the judgment of the department, be enacted to embody the following principles.

And then No. 8 is as follows:

Restrictions on purchases in excess of a given amount without plans and specifications and without advertisements for bids.

That is looking after the rectification of that very thing raised by Mr. Hawley?

Mr. WRIGHT. Yes; and in the enactment of the finance code they followed that recommendation.

Mr. TINKHAM. Oh, you have that already?

Mr. WRIGHT. Yes; as a part of the finance code this went into effect last July.

Mr. TINKHAM. I would like to ask this question: Do you think a very material and substantial advance has been made in Illinois by the adoption of the budget system?

Mr. WRIGHT. Yes.

Mr. TINKHAM. Will you briefly sum up those benefits?

Mr. WRIGHT. Briefly I would sum up the benefits that I think will appeal to almost any business man, especially having had experience with previous administrations, to be the fact that we know all of the time just where we are; we know just what we are doing; any member of the legislature, any committee, or any citizen, by consulting the records in my office, would know just exactly the situation that obtained relative to any appropriation. Our records are explicit enough so that we can show anyone who desires the information, and our records are public, just exactly where the money has gone in any division; what the money has been expended for.

The appropriation committees, as was explained here this morning, for the first time, I think, in connection with the budget, acted more or less as a unit. We were able to present, when the legislature met, from this budget a balance sheet, so called, which they had never had. We were able to present to them the financial situation as it existed in the State. And then we simply notified them that we had full information and full data relative to any of the items carried in the budget, with the result as it worked out with our legislature, when some questions arose, or inquiries came, and some pressure was brought to bear, as it was, perhaps for increased salaries, that so far as I know the appropriations committees took no action on any of those things until they had conferred with the department and asked our opinion, and asked for the detailed information, which we were able to furnish them.

Mr. TINKHAM. So that so far as that is concerned economy resulted?

Mr. WRIGHT. Oh, yes.

Mr. BYRNS. In connection with that, Mr. Wright, what was the method followed prior to that in making up your estimates for the consideration of the legislature?



Mr. WRIGHT. Quite generally, I take it, similar to your experience here. The various chairmen and presidents and heads of the boards and commissions scattered throughout the State simply sent their requests.

Mr. BYRNS. Did they come through some central head?

Mr. WRIGHT. They did not come through a central head; no. The bureau heads or chairmen were the central heads so far as that worked out. Usually it was sent in by him. If there was a member of the legislature in some district where there was a request, the bills came in or the request for the appropriation came through that member of the legislature, and then when the appropriation committees were able to get the requests together and consolidate and tabulate them, they sent out their subcommittees to visit institutions and a call for hearings; and, in fact, they had hearings during the last session independent of the budget. They called for the managing officers in consideration of the budget, but the managing officers without exception, when they came before the committees, said, "We have gone over this with the department of finance, and those figures in there are satisfactory to use," so there was nothing more to it.

Mr. TINKHAM. Has the study of your department brought any consolidations or any recommendations for consolidations of departments or bureaus?

Mr. WRIGHT. Yes; they were eliminated where there was conflicting activity at this last session. Two of our registration divisions were consolidated.

We have now under consideration the question of consolidating a number of what we call water surveys where there is a little overlapping of functions, but not to any considerable extent; the code was really practically revolutionary so far as Illinois was concerned.

The CHAIRMAN. I was going to ask about that. Gov. Lowden said this morning there had been about 125 bureaus and agencies; were they consolidated previous to the adoption of this system or at the same time?

Mr. WRIGHT. At the same time; that was a part of it.

The CHAIRMAN. So that after the adoption of the system there was not much of that to be done?

Mr. WRIGHT. No, sir.

Mr. TINKHAM. In other words, they had given it complete study?

Mr. WRIGHT. Yes, sir.

Mr. TINKHAM. And if that budget system had not been put in vogue you would have found many of those things which should have been done?

Mr. WRIGHT. Yes; undoubtedly.

Mr. HAWLEY. You simply abolished those boards?

Mr. WRIGHT. Yes; and consolidated their functions.

Mr. HAWLEY. In the house of representatives in Illinois you have a committee on appropriations?

Mr. WRIGHT. Yes, sir.

Mr. HAWLEY. Does any other committee or body in that house have authority to report an appropriation and suggest legislation to carry it into effect?

Mr. WRIGHT. I do not know that I could answer that question from its legal aspects. When these bills are introduced, so far as

the usage is concerned, every bill which carries with it an appropriation is referred to the appropriation committee, so that I have no knowledge of appropriations being submitted to any other committees than the appropriation committee.

Mr. TEMPLE. Would that be the case with a bill which created a new agency—a new law creating a new agency that would later require some appropriations to set it going?

Mr. WRIGHT. We had a number of that kind this past winter, where supplemental appropriations were recommended, but the law which created the activity or the new undertaking did not carry with it the appropriation, but the appropriation for the maintenance and operation of that activity was usually included in what we call the omnibus bill.

Mr. HAWLEY. Suppose a committee should report a bill, other than the appropriation committee, for such an agency, and providing for its support, would that be subject to a point of order on the floor?

Mr. WRIGHT. Yes, and could only be acted upon by a suspension of the rules. The house rules of the Fifty-first General Assembly of the State of Illinois provides as follows:

All bills for appropriations of money from the State treasury or providing for the expenditure of money, when referred to other committees and by them reported back to the house with favorable recommendations, shall be referred to the committee on appropriations for its consideration before being acted upon by the house.

Mr. HAWLEY. I wanted to know whether your budget arrangement could be interfered with by this kind of report?

Mr. WRIGHT. I think it might. But it has never been raised. It always came through the appropriation committee.

Mr. TAYLOR. The chances are such a bill would not get very far?

Mr. WRIGHT. No, sir; I don't think so.

Mr. BYRNS. I take it you have a deficiency bill; what about your general deficiency bill? In other words, carrying the estimates submitted for the budget; is that all in one bill, or do you have a number of separate bills reported from the committee?

Mr. WRIGHT. We have a number of separate bills.

Mr. BYRNS. Do they relate to each department?

Mr. WRIGHT. They might. We have what we call the penal and charities bill; that covers the penal and charitable institutions. And then we have the education bill, which takes in the normal schools; we have five normal schools in the State. And then the University of Illinois bill, which is separate entirely. We have about six or eight large bills, and then we have bills, quite a number, as you have here in Washington, for private claims, which is one of the particular troubles so far as budgetary work is concerned: the consideration of those claims.

The CHAIRMAN. Mr. Wright, a number of years ago you abolished your plan of granting deficiency appropriation bills, as I recall it?

Mr. WRIGHT. No; that is one of the things we have corrected to a large extent, but they have been in the habit of making deficiency bills for the separate departments.

Mr. TEMPLE. Are they based on the supplemental estimates?

Mr. WRIGHT. Yes; but we had only one deficiency bill, as was explained this morning; one this last legislature; that was in the department of charitable and correctional institutions.



Mr. TINKHAM. Do those deficiency bills have to be recommended by the governor?

Mr. WRIGHT. Oh, yes; all those are recommended by the governor.

Mr. TINKHAM. When you speak of large bills, you mean they are included in the budget recommendation at the beginning of the year?

Mr. WRIGHT. Oh, yes; everything is in the budget. For instance, from former practice we developed the fact that various departments and activities in the State were going before the legislature and asking for large lump-sum contingent appropriations. The law department had ruled that an appropriation made for contingencies could be used for any purpose, with the result that if an officer had a large amount for contingencies he would start out and put some fellow on the pay roll, or buy a balloon or a wagon, or something he did not need, and it was quite difficult to control, so that after careful consideration of the matter of the budget we reduced such appropriations to a minimum.

Mr. TINKHAM. I notice you have a contingent fund in your own budget?

Mr. WRIGHT. Yes; a reserve fund of \$500,000.

Mr. TINKHAM. What have you used that for?

Mr. WRIGHT. For instance, we used some the other day to pay for the race riots in Chicago. I suppose every department in the State has notified me that they need part of it, and have put up an argument to get it.

Mr. BYRNS. Mr. Wright, have you any legislation to prevent deficiencies?

Mr. WRIGHT. We have a section in our statutes providing that any one who incurs a deficit by incurring indebtedness for which no appropriation is available is liable to a term in the penitentiary. But the courts have held that this restriction does not include the purchase of food, clothing, and other necessities for the penal and charitable institutions. But notwithstanding the fact that that was in the statutes the deficiencies were created.

Mr. HAWLEY. Is this \$500,000 in the nature of an anticipation of deficiencies?

Mr. WRIGHT. No; it is in anticipation of emergencies. For instance, I say that every department in the State has notified me that they will need some of it. For instance, our department of health asked for a large amount because of the possibility of an epidemic; our department of agriculture asked for a large amount because of the possibility of an outbreak of an epidemic in stock, such as the cholera or the foot-and-mouth disease as we had a few years ago among the stock. As soon as we could study the problem, as soon as we began to study it, we made up our minds we could not have all of those things in every department. In other words, we would not have the peak load in every department at the same time. As the biennium began we were able to pass upon the proper assignment of funds and were in better shape to handle that appropriation.

The CHAIRMAN. You are in better shape to do that, because you appropriate for the biennial period instead of an annual period. Now, if your legislature was in session at all times and appropriating every year, you would not then need an emergency fund such as you have mentioned?

Mr. WRIGHT. Yes; that is very true. We have to anticipate, of course, for the two years, which is a difficult thing to do.

The CHAIRMAN. Now, Mr. Wright, I am a little confused with regard to your statement. I understood you to say that you have several appropriation bills every year. Did I understand that that condition is to prevail under the budget, or is under the budget the estimate of the governor, is that all put into one appropriation bill or several appropriation bills?

Mr. WRIGHT. It is put in several bills. The budget includes all, but instead of putting it all in the budget bill, they do not do that; they split it up.

The CHAIRMAN. What are the advantages of that?

Mr. WRIGHT. Of splitting that up?

The CHAIRMAN. Yes.

Mr. WRIGHT. I do not think there is any advantage to speak of. Of course, under our constitution we are compelled to have what we call State officers' bill. That must be separate, to start with; that is constitutional. And then beyond that I think the legislatures have usually felt that they were able to give more orderly consideration to problems if they came one at a time; for instance, the problem of the schools, and of claims at another time, and so on. I think that was the attitude. It is a practice that seems to have grown up from years and years of usage, and it is difficult to change it. We reduced the number of appropriation bills very materially, and we have lately recommended that they be reduced to a much greater extent.

The CHAIRMAN. Do you think that practice will lead to any extremes by dividing them up or has it?

Mr. WRIGHT. I do not think so.

Mr. PURNELL. You and the governor have explained the advantages of that system; have you found through a practical application of it that any part of it is unworkable or needs modification?

Mr. WRIGHT. I think the best answer to that is that the civil administration code bill went into effect two years ago, and no amendments to change the bill were thought necessary in the last legislature. In fact, I do not know of any instance where we would care to change it at this moment.

Mr. PURNELL. Outside of the one instance which you mentioned this morning, do you know of any other overlapping?

Mr. WRIGHT. No; I do not recall that we have any overlapping activities at this time beyond that. Sometimes the department of health is very anxious to expand its work and endeavors from time to time to go into the question of mental diseases and things of that nature, which are cared for in the State institutions, and we have always so far been able to head those things off.

Mr. PURNELL. Of course, you did have plenty of that overlapping before you had the consolidation?

Mr. WRIGHT. Yes, sir.

Mr. TEMPLE. This is a very minor detail, but in Pennsylvania we require vaccination before children may go to the schools. In your system does that come under the Public Health Service?

Mr. WRIGHT. Yes; as long as they exercised their function.

Mr. TEMPLE. Of course, the schools are local?

Mr. WRIGHT. Yes; but we make a large appropriation for county school purposes and pay the county superintendents out of that.

Mr. TAYLOR. How many other States, Mr. Wright, have this budget system?

Mr. WRIGHT. A centralized purchasing agency?

Mr. TAYLOR. Yes.

Mr. WRIGHT. I do not know just how many other States have a real centralized purchasing department.

Mr. TAYLOR. Has any other State as complete a system, you think, as Illinois?

Mr. WRIGHT. I do not think so, unless I understand that Nebraska has adopted this code bill practically in its entirety.

Mr. TAYLOR. Recently?

Mr. WRIGHT. Yes, sir; during the last winter.

Mr. TINKHAM. We have an excellent system in Massachusetts.

Mr. WRIGHT. Yes; we have had a good deal of correspondence with reference to that.

Mr. PURNELL. I think 14 States have adopted the budget system.

Mr. WRIGHT. His reference was not to that so much as to the consolidation of a purchasing system.

Mr. TAYLOR. Have you had any occasion to compare these with yours? I am asking that with the idea of whether you would feel like recommending any of these outside of the State of Illinois to this committee.

Mr. WRIGHT. Well, I do not want to be egotistical, but I have yet to see anything that I think is equal to Illinois, except the State of Massachusetts is working on a standardized salary, which I think they are ahead of us. I think that is a very great step forward.

Mr. TEMPLE. Are you familiar with the Maryland system?

Mr. WRIGHT. To a certain extent; of course, they have a constitutional budget there, which I would question. We find in our day-to-day working in Illinois of the code that its great possibilities for accomplishment are more and more evident. The director is clothed with powers; he can prescribe rules and regulations and almost anything where he does not violate the law, with the result that the responsibility is fixed in the director, he is able to meet changing conditions by his ability to change the regulations for the operation of the various divisions of his department.

Mr. TEMPLE. Would you be ready to say, Mr. Wright, that the changes and advantages which you find in Illinois have come more from a reorganization of the work, or more from this one element of the budget system as adopted in Illinois?

Mr. WRIGHT. Well, I rather feel that the one is so dependent on the other, so intermingled with the other, that it would be rather difficult to divorce or segregate the advantages which might have been achieved with either one by itself. I do not think we could have submitted an intelligent budget, a budget that the legislature would have concurred in had it not been for the consolidated form of government, and thus being able to confer in 10 minutes with a director upstairs, or across the hall from you, and I think that is invaluable, and we would not have gotten anywhere if we had to go out and have had to get 125 varying estimates and gone into a survey and details of each one by itself; I do not think we would have gotten anywhere with that.

Mr. TEMPLE. I am inclined to think that one of the chief benefits in a national system would be to show where the overlapping is; but

I think we are likely to take it up, with an executive budget first, and then find the necessity of amendments, and I was just interested in the process in Illinois.

Mr. WRIGHT. I get your point exactly. Well, the information we gained in our day-to-day experience in the office of the operation of the expending agencies of the State and their business conduct of their affairs was invaluable when it came to putting together tabulations, and in an intelligent sort of a way getting them into a budget estimate. Of course, the only ability to accomplish, after all, was the fact that we had a harmonious organization, and we never have tried to be arbitrary in our operations. While our powers are more or less extreme in the department, we have always been able in a conference to solve these things in a way that would not disrupt and tear to pieces the spirit that prevails.

The CHAIRMAN. Are there any further questions?

Mr. BYRNS. I want to ask a question or two. Mr. Wright. I notice that this copy of the budget which you have kindly submitted for the inspection of the committee carries appropriations for equipment and traveling expenses, and office expenses and salaries; in other words, under general heads. Now, do I understand that this budget that is shown to this committee is shown to the legislature just how this money is expected to be expended?

Mr. WRIGHT. We furnish details showing, for instance, equipment. A plant is compelled to put in a new boiler; or an office needs new desks or new typewriters. That is carried out in detail what the requirements are for such purposes, and an explanation of why it is necessary and how it was developed and all about it.

Mr. BYRNS. Now, the question of wages and salaries, does that detail show the number of employees and the salaries expected to be paid or simply a maximum and minimum?

Mr. WRIGHT. Yes. In practically every case. The department of welfare, which is, as I have said, the State charitable and penal institutions, have worked out in their department a salary schedule, so that they have a maximum and minimum wage in the department, and they have no trouble with the help, because each person knows just what his salary will be this year and the next and the next after that.

Mr. BYRNS. And under that the legislature has nothing to do with the fixing of the salaries of the State employees?

Mr. WRIGHT. Not under this system. They could arbitrarily do it, but they never have, because the system is workable.

Mr. BYRNS. And it is left to the department to give it out and fix it within the department?

Mr. WRIGHT. That is it.

Mr. TINKHAM. Now, this supporting detail is filed with the legislature at the same time this budget is?

Mr. WRIGHT. Yes, sir.

Mr. BYRNS. Now, in the matter of your appropriation bills as actually passed by the legislature, do they carry any other details, any more than is carried in this budget that you submit? In other words, are they carried under the head of equipment, or as the case may be, or do they go into details?

Mr. WRIGHT. They go into details as to salaries and wages.

Mr. BYRNS. But not in the other instances?

Mr. WRIGHT. Not in the other instances.

The CHAIRMAN. Mr. Wright, will you also send us a set of your appropriation bills?

Mr. WRIGHT. Yes; and our blanks, too, upon which we ask for budget requests.

The CHAIRMAN. Is there anything further? We thank you very much, Mr. Wright, for coming and giving us this information in regard to your financial plan in Illinois.

Mr. TAYLOR. I suggest, Mr. Chairman, that Mr. Wright in revising his remarks should have the privilege of taking the transcript and adding to it such things as he thinks would be of benefit to the committee.

The CHAIRMAN. Yes.

Mr. WRIGHT. I am very glad to have had the opportunity of appearing before you gentlemen, and it has been a pleasure to me, I assure you.

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MONDAY, SEPTEMBER 22, 1919.

**STATEMENT OF WILLIAM F. WILLOUGHBY, DIRECTOR OF THE  
INSTITUTE FOR GOVERNMENT RESEARCH.**

The CHAIRMAN. Mr. Willoughby, you are Director of the Institute for Government Research?

Mr. WILLOUGHBY. Yes.

The CHAIRMAN. What is the Institute for Government Research?

Mr. WILLOUGHBY. The Institute for Government Research is an organization created by a number of public spirited men who believed that it was desirable that there should be somebody whose duty it was, as a nonpartisan independent institution, to submit the problems of public administration, and particularly those of the National Government, to scientific study for the purpose of making known those principles, practices, and conditions which they believed would, if followed, lead to a more efficient and economical conduct of public affairs. Its articles of incorporation thus state that its purpose shall be "to conduct scientific investigation into the theory and practice of governmental administration, including inquiries into the forms of organization and the manner and operation of Federal, State and local governmental bodies and offices in the United States of America; the powers, duties, limitations, and qualifications of officers; the methods of administration employed, the character and cost of results obtained and the conditions affecting the efficiency and welfare of governmental officers and employees; to carry on such inquiries directly or with the cooperation of governments, learned societies, institutions of learning, or other agencies and individuals, and to make public the results of its investigations; to maintain a library for the use of the society or its members and officers and those affiliated with its work and to prosecute such other inquiries and perform such other services as may tend to the development and application of the principles of efficiency in governmental administrations." In stating these purposes I wish to make clear that the institute does not deem it any part of its duty to seek to indict in the public press or otherwise the Government. On the contrary it believes that prac-



revenue and appropriation bills. I was thus head of the budget system of that island from both the administrative and legislative sides in the same way as the British Chancellor of the Exchequer.

Mr. HAWLEY. Did not that also include a reorganization of the financial system?

Mr. WILLOUGHBY. It included the entire reorganization of the system of financial administration of both the insular government and the municipal governments. It included also a revision of that law.

Then I was for a couple of years Assistant Director of the Census, which gave me a look-in on the administrative problems of the National Government.

Then I served two or three years as a member of President Taft's Commission on Economy and Efficiency. That commission, as is well known, concerned itself largely with the problem of a national budget. This gave me two or three years' intensive study of that subject.

Mr. HAWLEY. And you published some reports

Mr. WILLOUGHBY. A considerable number of reports, two of which bore directly on the matter of a national budget.

Then I went to China for nearly two years as constitutional adviser to the President of China, and there I considered and gave advice to the President regarding the organization of a proper financial system; unfortunately, I can not say that we got very far with that proposition.

From there I returned to Washington in 1916 to assume the directorship of the Institute of Government Research. In that capacity I have continued to interest myself primarily with the matters of budgetary reforms, so that for 15 or 20 years I have been concerned with it.

The CHAIRMAN. Now, Mr. Tinkham, you may ask your question.

Mr. TINKHAM. Mr. Willoughby, I would be glad if you would now answer my question.

Mr. WILLOUGHBY. There have been, of course, a good many different definitions of what a budgetary system is, but no matter what that definition is, I do not think that anyone can fairly say that the United States Government has a budgetary system. In the first place, one essential of a budgetary system is the balancing of revenues and expenditures, in the sense of the Executive having the responsibility of laying before the legislature a general statement regarding the financial condition of the Treasury, its resources and its liabilities, its prospective income and its proposed expenditures, and pointing out whether there will be a deficit or surplus under the conditions set forth, and of making recommendations on his responsibility as head of the administration as to how that surplus should be handled or how the deficit should be met, and of stating what expenditures should be provided for the proper conduct of the Government.

Now, the President, under our present system, certainly does not do anything like that. The fact is that the country does not expect it of the President under our present system, and does not hold him politically responsible for it. So, in that fundamental respect, we have not a budgetary system.

Then, after the information gets to Congress, it is not handled by Congress as a consolidated problem of financing the Government. The expenditures and revenues are separately considered. There is

no pretense of bringing the two into balance or comparison until after the work is done. Under any budget system direct responsibility attaches to the Chief Executive as head of the Government to submit this consolidated statement, and on Congress to handle it that way. This requirement is not met under present conditions. Although we have, of course, a system of financial administration, and one that has a good many excellent features, some of them superior to those of other countries, yet we have not a budget system, and it is highly desirable that we should have.

The CHAIRMAN. Mr. Willoughby, there has been a good deal of misunderstanding in regard to the functions of the British Treasury as compared with the Treasury of the United States, or the office of the Secretary of the Treasury. I wonder if you could give the committee a picture of just what the functions of the British Treasury are?

Mr. WILLOUGHBY. It is unfortunate that the British treasury has the name that it has—of treasury—because in fact it is not a financial organ from an executing standpoint. It has nothing to do with the ordinary operations of handling the finances of Great Britain. The collection of the revenues are handled by the internal-revenue service, the management of the public debt is in charge of the public debt commissioners; in point of fact the treasury, notwithstanding its name, is nothing but a superior board of general administration whose function it is to act as a budget organ and as a board of administration to supervise and control the spending departments. The treasury is spoken of as a nonspending department, in order to bring out the fact that it is simply a body of general direction and supervision and control. As in the case of almost all British institutions it has illogical features. Thus, contrary to the general rule, it has been made an organ of spending in respect to capital matters. That has been bitterly denounced in Parliament.

The British Treasury is presided over by the chairman of the exchequer, whose function it is to exercise a day-to-day control over the spending departments. In respect to the budget it is the organ of calling for and receiving all estimates of appropriations, and not merely compiling them but subjecting them to a critical review, which any manager of a large business enterprise would do. It comes from subordinate departments, it is brought together, and ironed out of conflicting requests and put together in the form of a consolidated statement. The chairman of the exchequer uses that statement in connection with a corresponding statement on revenues, to prepare a budget, which is a four or eight-page pamphlet, which contains a consolidated statement of expenditures on the one hand, and a consolidated statement of revenues on the other.

The important feature and function of the British treasury is that it is at work 365 days in the year; that it is the organ of control throughout the time when estimates come in; that it is the organ of control, and is allowed to make any departure from the budget only after it has been engaged in a new activity until it has been approved by the treasury, in the same way that no department can do anything until a general manager has approved it. The result is that the entire year's work is done in a very efficient manner.



coming from the spending departments to the treasury, that "We would like to do this and that; we would like to change these salaries, or to engage in this new activity," and those are examined at the time and they are passed on and the decisions reached are embodied in what is known as the "Treasury Minutes." So when the preparation of the estimates for submission to Parliament is entered upon nothing is required but the assembling of decisions already arrived at. I mention this particularly and especially, because the point is frequently raised that no budget organ can possibly go over the estimates of the United States and subject them to examination in the time desired. This is true if there is not a permanent organization analogous to the British treasury, whose duty it is from day to day to keep in touch with the spending departments.

Mr. TEMPLE. You speak of the work of this organ in preparing the budget. This work is limited, is it not, in the preparation of a budget of estimates rather than the revenues to be collected or taxes to be imposed?

Mr. WILLOUGHBY. The treasury department prepares both of those statements. It calls on the revenue services for their statements and it prepares both branches and sums them up.

Mr. TEMPLE. Yes; but you were speaking a moment ago of the impossibility, or the fact that it is not permitted that any agency of the Government shall undertake new activities without the approval of this particular organization?

Mr. WILLOUGHBY. Yes; that would apply to the revenue services as well.

Mr. TEMPLE. Yes; but it would apply to their activities as spending agencies. Of course, they could not collect new taxes without the permission of Parliament?

Mr. WILLOUGHBY. No; for instance, the internal revenue might want to establish a bureau of chemistry for the purpose of analyzing spirits; they could not do that without submitting it to the Treasury, because it involved expenditures.

Mr. TEMPLE. Because it involved expenditures?

Mr. WILLOUGHBY. Yes; because it involved expenditures.

Mr. TEMPLE. The first idea of their work is to supervise expenditures?

Mr. WILLOUGHBY. Primarily.

Mr. TEMPLE. And afterwards make suggestions for revenue?

Mr. WILLOUGHBY. Yes.

Mr. HAWLEY. The British Treasury has its representative in every department, if I understand correctly, who are in daily touch with the work of each department?

Mr. WILLOUGHBY. Each department has what is known as a chief financial officer; he is an officer of the department, but at the same time does represent the treasury in a manner, but usually they appoint the head of the service as the financial officer, and he is the one that prepares estimates and submits them. But so far as I can see it works out practically as if the head of the service was from this financial standpoint the representative of the treasury, the treasury acting as a general governing body.

The CHAIRMAN. Now, Mr. Willoughby, will you go on and show us the processes or successive steps taken in the formation of the

British budget as finally adopted by Parliament, so that we may have a picture of the system in vogue there?

Mr. WILLOUGHBY. The starting point is that the treasury already has a very complete knowledge regarding the organization and activities of the government. Then at the appropriate time it sends out a request for estimates to be submitted to it. That request states that the treasury will not approve of any estimates that have not already been approved by one of the treasury minutes. It practically says to the spending department, "The time has gone by; if you had wanted to make this change from the existing system you should have brought it up before, when we had plenty of time to examine it." The treasury, in acting upon requests which have come to it during the year does not attempt to act in an arbitrary manner any more than, as has been explained, the department of finance in Illinois does. It tries to act in close cooperation with the administrative services. If the question is one of any considerable importance it says, "We would like to look into that," and it suggests that there be appointed a committee to look into it, on which is a representative of the service interested and a representative of the treasury.

The CHAIRMAN. Who constitutes that committee?

Mr. WILLOUGHBY. The service interested would appoint its representative and the Chancellor of the Exchequer would appoint his representative. Suppose the question of the establishment of a Bureau of Chemistry in the Internal Revenue comes up. The Treasury wants to know whether it is really necessary, and it constitutes a committee which goes into it. If the question is whether the activity should be performed in one department or another, then it organizes what is called an interdepartmental committee, in which service each would have a representative and the Treasury have a representative. The conflicts would come up one by one and be ironed out with the result that the Treasury reaches its decision and embodies its decision in the estimates long before the estimates are prepared. Having prepared the estimates in that way and totaled them, it finds the total amount that has to be provided for. The British Treasury goes on the principle of determining the total expenditures that are absolutely essential and then of determining how the money to meet this total is to be raised. For that purpose it usually uses the income tax as a balancing element. If the expenditures have increased and it is necessary to have a larger revenue it adds a penny in the pound; if expenditures have decreased it will take off a penny in the pound; that is, the usual procedure in normal times.

The great interest of the public is in this feature of the budget statement of the chancellor. It is remarkable how little interest the public takes in the expenditure side of the budget; their interest, when the chancellor comes to his budget speech, is whether he is going to take off a penny or add a penny; what use he is going to make of the surplus, if there is one, or how he is going to meet a deficit if one is shown. That is the real thing in which the public is interested.

It is in my judgment highly desirable that the President, in our system, could do something similar; that he should come before Congress with a definite program. He should state the total required to meet the expenditure needs of the Government, whether

this will result in a surplus or a deficit and how he proposes that this surplus or deficit shall be handled.

Mr. TINKHAM. You suggested that the people are interested principally in the revenue side of the budget as announced by the premier; isn't that as it should be in a democracy?

Mr. WILLOUGHBY. I do not think so. Certainly I do not think so in our Government as constituted. The British system has a great advantage in that it started with all power concentrated in the Crown, and the latter still possesses all powers except those which have been delegated in one way or another. The British public is accustomed to thinking that it is the business of the Crown to run the Government. Its attitude is the same as the attitude of stockholders toward a large corporation, "We will get the best men we can for president and board of directors and let them run it, and if they give us a good administration we will keep them in office, and if not we will change them." In the United States we believe that the citizen stockholders should interest themselves more directly in the details of government.

Now, since we have a system under which the responsibility is divided between the executive and the legislature, it seems to me that it is highly desirable that the former should be held to all the obligations of the British premier in respect to submitting a financial program and that Congress should be held to its responsibility of making a careful scrutiny of that program. Due to the fact that both the President and Congress participate, there is going to be an issue; the President is going to have his program, and the Congress will change it. That is an issue that should go to the people, whether they agree with the President or with the Congress.

Mr. TINKHAM. I think you misunderstood my question. My question was this: Whether it was not well in a democracy for a system to be so ordered that immediately upon a finance bill being reported the attention of the public will be centered on the question of taxation? I am asking if that is not a good thing in a democracy?

Mr. WILLOUGHBY. Yes; I do. Of course that is the thing that touches the pocket nerve. Their interest in expenditures is going to be whether that raises taxes and that is a good thing.

Mr. TINKHAM. To that extent it is a good thing?

Mr. WILLOUGHBY. To that extent it is a good thing?

Mr. TEMPLE. On the other side is the question of service. Certain things are going to be done; they are going to cost something. The people are interested in how much, and those things are always important. I think the service is just as important as the cost of the service. The service is quite as important as the tax.

Mr. WILLOUGHBY. I think it is possible for the President to prepare a budget in such a way that the Congress and the public would grasp its meaning, even the man in the street. My idea of preparing a budget from the expenditures side is this: It would be based on the principle of proceeding from the general to the particular; the President's first statement would be, "Gentlemen, I want so much money, so many billions of dollars, to run the Government." That is the first item; that would stare you in the face and then he would proceed to distribute that total. He would say "Of this total I want so much for the legislative branch, so much for the judicial branch,

and so much for the administrative branch." The total for the administrative branch would be so much for the War Department, so much for the Navy Department, etc; and the total for each department, for example the Department of Commerce, would be subdivided by bureaus.

Mr. TINKHAM. Very much like the estimates in the British Parliament?

Mr. WILLOUGHBY. Yes. And when you get to a bureau such as the Bureau of Lighthouses, there would be a total for that service, and so much for each organization unit in it; so much for the lighthouse at Portsmouth, and so much for the lighthouse at Charleston, etc. If the budget was prepared in that way, according to units of organization, it would be possible for anybody, even the man in the street, to see how much it would be for the Government as a whole; how much for each department; how much for each bureau; and how much for each field station, such as a lighthouse, Army post, etc. Each of these items should be supported by detailed sheets; for instance, there should be a sheet for the lighthouse at Portsmouth that would enter into details for the expenditures for that unit.

As Mr. Wright pointed out in the case of the Illinois system, use should be made of a standardized system and item heads, like salaries and wages, fuel, rent, travel, stationery, etc. This system should be carefully worked out and applied to all lighthouses and, indeed, all services of the Government, so that if a man was interested in a particular service or field station he could turn to the sheet for that service, or station, and find the expenditures for it classified in such a way that they could be compared with the expenditures of other units.

Mr. TINKHAM. How far would you carry that detail?

Mr. WILLOUGHBY. I would carry it very far. For instance, one item would be salaries and wages. That in turn ought to be supported by a sheet, known as the salary schedule, which will give you a list of every employee with his salary or compensation. On that statement you therefore could get the details and at the same time a person who was not interested in it could ignore those and take the big titles for war, navy, commerce, etc.

What I have just said may be a digression, but I have spent a great deal of time on the subject of the technique of the budget, and I am thoroughly persuaded that it is possible to get up a budget so prepared that it will give the details of expenditure and yet permit a clear understanding of general financial conditions.

Mr. HAWLEY. Doctor, in submitting this budget statement, would you have the President say that this amount is needed, no more is needed, and no less is needed, so as to commit him absolutely to the whole budget and every item in the budget?

Mr. WILLOUGHBY. I would. Of course, many of the details represent only his best judgment, based on the advice of his subordinates; but it should go in absolutely on his responsibility.

Mr. HAWLEY. Doctor, your statement about the British treasury applies to the civil departments and not to the army and navy?

Mr. WILLOUGHBY. That applies to the army and navy as well.

Mr. HAWLEY. But the British treasury does not exercise so much control over the army and navy as they do over the civil departments?

Mr. WILLOUGHBY. That is partly correct. It is true that the estimates for the army and navy go in separately and, I think, directly; but nevertheless, all the matters involved in those estimates have received the consideration of the treasury. There is greater freedom of transfer from one head to another in the army and navy; that is, they are given a greater flexibility in expenditure than is true in the civil service. It is undoubtedly true also that the treasury does not exercise its powers quite as rigidly and probably does not go into the same detail of scrutiny as it does in the civil service.

Mr. TEMPLE. They could not make a proper estimate for necessary revenues unless they had the totals for the estimates.

Mr. HAWLEY. Under the British system the responsible men in the treasury are permanent officials, and our Treasury differs from theirs in that the men who are really responsible for the work in the Treasury change with the administration. I would like to have you comment, if you will, on the effect of such a condition in the preparation of the budget from this standpoint: The head of the treasury is a permanent official and his subordinates are permanent. They serve year after year for long periods of time, and consequently they become very familiar—more familiar than a man who may be Secretary of the Treasury of the United States for a very short time.

Mr. WILLOUGHBY. The governmental system of Great Britain distinguishes clearly between political and administrative officers. The cabinet head—or the minister himself—and his parliamentary secretaries are political officers and change with the party in power. The treasury, like the other department, has a secretary, who is the permanent head of the department, and underneath him a permanent personnel, who do not change with the party. These men have come in at the bottom and have come up from the ranks. The result is that the treasury department is filled with permanent officers, and all those in higher positions have been there 20 or 30 years and are thoroughly familiar with the organization, activities, and methods of the Government in all its branches. They have divided the work among divisions inside the department corresponding to the groups of standing departments to be supervised.

Mr. HAWLEY. How could we supply that information and experience if our Secretary of the Treasury or the Treasury Department was charged with the initial preparation of the budget, in your judgment?

Mr. WILLOUGHBY. Personally, I believe that under our system there should be an officer independent of the Treasury who would be directly under the President to assist him in performing his function as the premier in respect to the financial program, and that the personnel ought to be organized as nearly as possible along the principle of the British system. It probably would be desirable for the director himself, who is the direct and immediate representative of the President, to change with the President, but the general organization ought to be permanent. If it was intrusted to the Treasury Department, it would be desirable that provision should be made



for an Assistant Secretary of the Treasury who would be a permanent officer appointed without a term, or for more than four years, or some other method to make it permanent. The statutes should provide that he should not be given charge of any of the particular services, as is the case with the existing Assistant Secretaries of the Treasury, but should have general charge of financial control matters. I think that would be possible.

The CHAIRMAN. Mr. Willoughby, I was in hopes that you would be able to give us first a picture of the British system, following the budget clear through before we take up its application, because the ordinary student is not familiar with it. So many people know nothing about the British system, and yet they talk of the British budget very loosely when they do not know the plan of organization or how the budget is put through the Parliament. Our hearings, of course, will be printed, but I do not think a great many of the Members of the House have time to read a long treatise on the subject of the budget, and I was therefore wondering if you could not give us in a few words the processes through which the British budget passes.

Mr. WILLOUGHBY. I will continue, then. I had described how the treasury really made its decisions during 365 days and then at the appropriate time they combined those items into the form of a budgetary document which the chancellor of the exchequer submits to Parliament. There, under the system of parliamentary responsibility, it is well known that that document will not undergo any modification. Legally, the general orders or rules of the House of Commons permit a motion to reduce an item, but do not permit of the entertainment of a motion to increase an item of the budget, but that is more nominal than real, because the ministry has a majority at its back, and every member of Parliament has been elected practically with an imperative mandate to support one party or the other, that is, to subordinate any personal opinion he may have one way or the other and support a particular party. Consequently no use is made of the power of amendment either to increase or decrease the budget, and practically the budget is enacted as it is introduced.

The right to move for a reduction is taken advantage of, though, by the opposition in order to attack the Government on some particular point, and as the rules of the house apportion out the time very rigidly, in the same manner as it is done here, the amount of time available is very limited, so that what the opposition does is to take the budget and select a certain number of points, as a pure matter of politics and not for the purpose of economy, as the basis of its attack. If it wants to attack the Government on the standpoint of its naval policy, it will pick some item in the navy estimates and make a motion to reduce that item, and upon that motion will make its attack on the administration. Frequently the motion to reduce an item is made for the purpose of attacking the Government for not making it larger, so that you see it is a purely political question. Under the British system, then, the budget goes through practically as introduced.

The CHAIRMAN. How much time is given for its discussion?

Mr. WILLOUGHBY. I could not tell you.



Mr. HAWLEY. Twenty days, which may be extended three days.

Mr. WILLOUGHBY. What criticism is made of it is almost wholly, if not wholly, from the political standpoint and there is no examination by Parliament, by the House of Commons, of the estimates in a critical way such as is done under our Government by the Committee on Appropriations and the other committees. There is no debate on the floor of the house that approximates our discussion under the five-minute rule when we are reading the appropriation bills section by section for amendment. There is nothing that approximates that. So that the matter of both revenues and expenditures is thoroughly in the hands of the ministry.

Mr. TAYLOR. Parliament is a kind of figurehead, really, in that regard?

Mr. WILLOUGHBY. Yes, sir.

Mr. TAYLOR. All this discussion does not change the sum total?

Mr. TEMPLE. Is it not well to remember that the members of the cabinet are also members of Parliament, and Parliament is not a figurehead but in absolute control because the members of the cabinet have to be members of Parliament?

Mr. WILLOUGHBY. The British cabinet does not serve purely as a set of administrative officers as they are with us. They are really the executive officers of Parliament itself and when they are formulating the budget they are acting in an administrative capacity, but when the budget comes into Parliament then they are acting as legislative officers, although they are the same men.

The CHAIRMAN. Is it not true that the budget is never submitted for critical analysis and hearings to a committee that compares with our Committee on Appropriations, but it is submitted only to the committee on supply?

Mr. WILLOUGHBY. It is submitted to the committee on supply when they are considering appropriations, and then to the committee on ways and means to raise the money.

The CHAIRMAN. The committee on supply is a committee of the whole house, just as our Committee of the Whole House on the state of the Union considers an appropriation bill under the five-minute rule?

Mr. WILLOUGHBY. Yes, sir.

The CHAIRMAN. But between the making of the budget and the consideration of it by the committee on supply, which compares with our Committee of the Whole House on the state of the Union, there is no intermediate committee to bring in administrative officials and examine the estimates?

Mr. WILLOUGHBY. Not at all. There is neither that scrutiny by committees nor critical debate on the floor that characterizes the consideration of our appropriation bills.

The CHAIRMAN. From reading the ninth report I believe there is as much objection on behalf of Parliament to the British system as there is in some sources in our own country to our system.

Mr. WILLOUGHBY. That has been true in England. I think the people have felt that the Government has spent money like water, and that feeling has probably grown since I was there in 1914, before the war.

Mr. TINKHAM. Was there any objection to the system on the part of the public?

Mr. WILLOUGHBY. I should say not. There was a feeling, as near as I could trace, on the part of members of Parliament themselves that they ought to have a little more say than they did. I have stated that under the British system a member is elected with an imperative mandate to vote always with his party, while with us it is recognized that, in addition to party allegiance there is certainly a greater degree of individual discretion with us and it is sanctioned by the public, so that the two systems are entirely different in that respect. But it is only human nature that there should be a feeling on the part of members of the House of Commons that they should have a little more say. Now, the ministry itself, the ones who have the actual responsibility, I think, is opposed to it. They feel very strongly about it. They have stated, according to reports, that the whole tendency of the House of Commons was to spend money, to increase expenditures, and they felt that no matter how legitimate might be this feeling on their part, that any throwing open of the doors would result in a larger expenditure of money, and they were quite insistent that the present system should be preserved.

Mr. TEMPLE. Doctor, is that feeling on the part of some members of Parliament a jealousy of their own leaders? Of course, the members of the ministry are members of Parliament, and the same men as ministers must trust themselves as parliamentary leaders. Now, is it not the men in Parliament who are not parliamentary leaders that have a little jealousy of the men that are leaders?

Mr. WILLOUGHBY. I think that is very largely the case. It would be practically the same as it would be here where the chairmen of the appropriating committees are leaders. We can not have any efficient conduct of legislative affairs unless there is leadership and at the same time the rank and file always naturally have a little jealousy of the fact that it is the leaders who are actually running things.

Mr. TEMPLE. It is not a jealousy, then, between the executive department and the legislative department. It could not be because they are the same men in that case.

Mr. WILLOUGHBY. They are the same men. It is just the natural feeling of the rank and file against the leaders.

The CHAIRMAN. The ministry is also composed of members of the House of Lords?

Mr. WILLOUGHBY. Yes, sir.

The CHAIRMAN. And the House of Lords can neither increase or diminish the appropriations.

Mr. WILLOUGHBY. They have practically been eliminated from consideration.

The CHAIRMAN. Referring to this ninth report, I would like to call your attention to the report of the select committee which was appointed "to make recommendations in regard to the procedure of the House in regard to supply and appropriations so as to secure more effective control by Parliament over public expenditures." Pursuant to their appointment they sent out questionnaires and after receiving them they said in their report:

The replies show with few exceptions the consensus of opinion that the present system of control over parliamentary expenditure is inadequate. In that view we concur.

Further on in the report they say, after calling attention to the conditions upon which they base their conclusion, that "under these conditions it is not surprising that there has not been a single instance in the last 25 years where the House of Commons has refused any estimate submitted to it."

I do not know how that report has struck you, but to me it is such a serious indictment of the system of budgetary finance control in Great Britain that, inadequate as our system of making estimates and appropriations is, and the lack of anyone to be responsible for a real budget, I can not help but feel that perhaps we have gotten along better than the people of Great Britain have under this plan now in vogue.

Mr. WILLOUGHBY. Mr. Chairman, I think there is a good deal to that. The English have put all of their eggs in one basket, from the standpoint of financial control. It is left up to the ministry, and they are the only ones, and if they do not do their duty, if they are extravagant, if they are inefficient, Parliament does not have the power to effect changes. In other words, it is true that the British, having put all their eggs in one basket from the standpoint of control, if the ministry is extravagant or inefficient, the representatives of the people in Parliament have not the power to control. If Congress had a budget come up to it prepared like the British system, and, preserving the present system of having it scrutinized in detail by a committee such as the Committee on Appropriations—and I understand from what was stated here this morning that the record of that committee has always been uniform in the direction of economy, of cutting down Executive estimates—certainly it would result in an economy, due to the Committee on Appropriations scrutinizing the estimates of the Executive, which is not possible under the British system. No other Government that I know of has anything like as effective a system of criticism as we have in our Government, and in that respect I think we are superior to any that I know of. Later on I would like to refer to this, because the question is going to arise as between what the committee does and what Congress as a whole does, and I am almost as much interested in seeing the power of the committee strengthened so as to carry through its determination as I am in seeing the power of the President in exercising authority to request action which in his opinion is needed.

Mr. HAWLEY. Would you allow members to offer amendments on the floor for the purpose of increasing items, under your system?

Mr. WILLOUGHBY. That should be controlled just as rigidly as possible.

Mr. HAWLEY. On the floor the motion usually develops, on the part of the committee making the report, the reasons why the particular amount appropriated is the proper amount, in a much better way than if the committee is asked on the floor whether or not that amount is to be appropriated and no more.

Mr. WILLOUGHBY. You mean that they have changed their minds?

Mr. HAWLEY. No; the committee comes in with an appropriation of \$50,000 and a member moves to increase it to \$60,000. Then either the chairman or some member of the committee makes a better statement in behalf of the committee's report that if a member had asked them why they appropriated \$50,000 and not ~~\$60,000~~.

Mr. TEMPLE. The same thing would be developed in the case of a motion to reduce it \$40,000.

Mr. TINKHAM. Doctor, in your study of the system in Parliament and your study of the American system, would you rather trust, in the name of economy, in an unrestrained Executive or an unrestrained legislative branch?

Mr. WILLOUGHBY. I think I would prefer a third system where neither of the two were restrained. I think I would prefer the system where the President has the authority to submit the estimates, and then subject them to careful scrutiny here.

Mr. TAYLOR. Under our system the Government would not tolerate any unrestrained authority.

Mr. WILLOUGHBY. I think it is the only possible system we can have, that is, where the President submits his estimates and having the estimates undergo an examination here in Congress.

Mr. TINKHAM. You consider our present system an extravagant system or a system leading to extravagance?

Mr. WILLOUGHBY. I consider it a very inefficient system in that the information regarding the need of the Government does not get before Congress in any coordinate and proper form and that Congress, with the very best intent, is unable to handle that situation in the most efficient manner.

Mr. TEMPLE. You are familiar with the Book of Estimates?

Mr. WILLOUGHBY. Yes.

Mr. TEMPLE. Have you made a comparison between the totals in the Book of Estimates and the totals in the acts of appropriations in any systematic way?

Mr. WILLOUGHBY. No; I have not.

Mr. TEMPLE. I have not, in any systematic way, although I have done it in certain items. I think it would be very interesting if that was done.

Mr. HAWLEY. Would it not be an advantage to Congress to have an officer like the British officer of the House of Commons, the controller and auditor general, who is in charge of all information regarding the expenditures made by the various departments, who could sit with the committees and furnish them information directly?

Mr. WILLOUGHBY. It would be a very great advantage.

Mr. HAWLEY. You know it is almost impossible at times to get any information out of the executive departments of this Government.

Mr. WILLOUGHBY. It would be a very great advantage. Now, to continue with regard to the British system. After the appropriations are made, which, as I have stated, are practically the same as the estimates, they are not mandatory in any case, as they are with us. They are simply so much money placed at the disposal of the Crown which it can use in carrying on the expenses of the Government. No branch of the Government is authorized to expend that money except on the approval of the Treasury. Therefore after the appropriations are made the treasury can control the actual expenditure. Now, it does not control the expenditure in a detailed way so far as to say whether this voucher shall be paid or that voucher shall be paid, but it keeps in touch with all the operations of the Government and as necessities arise it can prevent funds from being used improperly. Furthermore, a very important part

of the British system is the distinction which is made between (1) appropriation heads known as votes, (2) appropriation accounts, which are subheads under which the accounts of the expenditure are kept, and (3) supporting details. The estimates come in under about 150 heads or votes as they are called for the entire government. There will be one vote, for example, for the home department. Then there will be under this head a number of subheads known as appropriation accounts. Then in addition to that there are the supporting details which go in with the estimates and which show how the figures of those appropriation accounts for the preceding year or a series of years are arrived at, which are for information purposes only.

The result is that the House of Commons and the public get the maximum information in regard to the budget down to the rent, fuel, and light, etc. At the same time the administration's hands are not tied. The appropriations are made under these general heads and with subheads, and with the very important feature that transfers can be made between appropriation accounts, provided the approval of the treasury is secured. The result is that at any time during the year to meet emergencies or changed conditions, a request can be made to the treasury to transfer from one appropriation account to another. The accounts will show transfers from one head to another and it will appear in the next budget, so that the Parliament will know just to what extent that power to make transfers has been exercised, and if necessary it can get the written document as to why the particular transfer was requested and why it was granted, etc. In that way the very important distinction between an itemized budget and making appropriations not in the same itemized way, but giving flexibility to the administration, is worked out almost perfectly. It is one of the best features of the British system. The legislature does not control in the same way as it has when it makes itemized appropriations, but it does have the control *ex post facto* in the matter of control whether the discretion that has been granted has been improperly used or not. One of the greatest functions of the controller and auditor general is that he keeps those accounts and renders his reports, and his reports call attention to any case, fearlessly, where an illegitimate use has been made of this power of transfer, so that the opposition can at once seize upon it and indict the administration for doing what it has done.

Mr. HAWLEY. He calls it to the attention of the accounts committee, the chairman of which is a member of the opposition.

Mr. WILLOUGHBY. And the latter brings it before the House of Commons.

Mr. TEMPLE. I would like to ask you a little more about the manner of comparing the two systems. As I understand it, the system you are speaking of has the flexibility of an appropriating system and at the same time the strength of an accounting system. I would like to know what provision there is in law or custom requiring the accounts to be kept in that way.

Mr. WILLOUGHBY. The exchequer act, the big accounting act, I am sure, provides for the keeping of the accounts. I know it is provided for by law. You must not lose sight of the fact that the most important control is that of the treasury. The treasury represents the Government as a whole rather than the individual services. There-



fore if the home office comes up for an appropriation it must convince the treasury, which is not interested alone in the home office, but is interested in the integrity of the country as a whole. As a matter of fact, they do secure flexibility and control.

Mr. TEMPLE. It has real control in general legislation and the advantage of flexibility in the lump-sum appropriations.

Mr. WILLOUGHBY. Yes, sir. Then another feature that has been mentioned in the British system is the fact that they have this independent officer called the controller and auditor general. That officer is given the emoluments and as nearly as possible the legal status and tenure of a judicial officer. In addition to making an audit in the sense of seeing that the requirements of the law are complied with, the controller general, being outside of the administration, and being also a nonpolitical officer, is in a position to call attention to any case where he thinks that the administration is not economical or efficient or not exercising its powers or conducting itself in a proper manner in any way. This duty he exercises fearlessly. Another feature of this system is of great importance. The tendency is for an official to make a report which receives little or no attention. If that were the case with the British controller and auditor general, after he made his report his recommendations would not receive any more attention than the report of an administrative officer over here. The British system, however, provides for a committee on accounts, and the House of Commons, whose duty it is to receive that report, go over it carefully and call before it any officer whose acts have been questioned in the report. Then the rules of the House provide a time when that committee shall report to the House, and the report will be considered. The chairman of that committee is always selected from the opposition, but as a matter of actual practice and by long precedent it has become established that that committee is about as nearly a nonpolitical organization as you could get anywhere, more remarkably so in view of the fact that it is made up of members of a political body, but the testimony is universal that they perform their duties in a very serious, non-partisan, and efficient manner.

Mr. TINKHAM. Is it true historically that that office was created first before the executive was given the power to recommend the budget?

Mr. WILLOUGHBY. No, sir; I think not. I think that came along very much later. It is rather interesting to note that it was not until the middle of the nineteenth century that Parliament really began to try to exercise control over the detail of expenditures.

Mr. TINKHAM. So that that position followed the effort to control expenditures?

Mr. WILLOUGHBY. They had an old board of accounts and they created this office of controller and auditor general in order that expenditures might be better controlled.

Mr. HAWLEY. When the controller and auditor general makes a report that some department has exceeded its authority in making an expenditure or is making an excessive expenditure he so reports to the committee on public accounts; am I correct in understanding that before the public accounts committee takes any action they call in the head of the department that is criticized and go over the mat-



ter with the controller and auditor general on one side and the department head on the other side, so as to make it a perfectly fair and open report?

Mr. WILLOUGHBY. Yes, sir. They have a hearing, and they have the controller and auditor general sitting at the elbow of the chairman. We will suppose a case of criticism of the home office. They would call in some official of the home office, and the controller and auditor general would be there to prompt the questions and to represent technically the house. In that way they would give full opportunity to the service to make any defense it wanted to. The testimony is afterwards printed and made available.

Now, just one more word about the functions of this controller and auditor general. A very clear distinction is made in England between treasury receipts and issues and revenues and expenditures. The controller, as controller, must control every cent that goes into the treasury and every cent that goes out, the same as our controller. This is his function as controller. He makes a report of treasury receipts and treasury issues. Then he comes along in a distinctly different function as auditor general in which he audits the expenditures. I mention that point because the question will probably come up in respect to the proposal to create a similar office here, to draw a distinction between those two functions of treasury receipts and issues and auditing expenditures.

Mr. HAWLEY. Does he make decisions that are binding like the decisions of the controller?

Mr. WILLOUGHBY. No, sir. It struck me as rather remarkable that the controller and auditor general had no power of final decision regarding expenditures such as our controller has. His functions come after the expenditure is made. He audits the expenditure and calls it to the attention of the treasury, and if the treasury allows it, it goes, and the controller and auditor general report that fact back to Parliament.

Mr. TINKHAM. You think that if we establish the office of controller and auditor general he should have the power that the present controller has?

Mr. WILLOUGHBY. I am inclined to think that he should.

Mr. TINKHAM. I would like to ask you a technical question on the budget system. How far do you think the bill should be itemized as it is reported to Congress?

Mr. WILLOUGHBY. I think the budget can not go too far in respect to itemization. I say it ought to go down to the individual lighthouse and contain a list of individual expenditures for that lighthouse, with salary list attached for its employees.

Mr. TINKHAM. In a report of the bill to the House you say that should be true?

Mr. WILLOUGHBY. No; I mean the budget as prepared by the President.

Mr. TINKHAM. In reporting the bill to the House how far would you carry an itemized statement?

Mr. WILLOUGHBY. I think it would be very desirable to appropriate under more general heads. That is, it would be a very great mistake to adopt what is known as a segregated budget. New York City made that mistake in attempting to take the budget as submitted

in detail and practically enact it as it was. The result is that the administration makes every effort not to report the facts in detail because it says, "The further I itemize my estimates the worse I am going to be tied up." I think the practice that has grown up in Congress of itemized appropriations in a great many cases has been due to the fact that that was the only method that Congress had of control. I think it is the function of Congress to control. But on account of our faulty system of estimates, our system of accounting, and on account of the fact that Congress does not get the information before it in a way to enable it to exercise control, it has adopted the policy of itemization as the only way in which they can control administrative officers.

I believe one of the greatest advantages that is going to come from a budget system is that it is going to give Congress another method of control other than that of itemization. If they have this system of accounting and the whole technique of the budget before them they will get it into such shape that they will control it without specifying to the extent to which they do now. Now, take your lump sum appropriations, where you grant the appropriation in a lump, my experience is that in every case it is abused by the administration. If you provided for a system where the lump sum appropriation had to be accounted for under certain heads and the original estimate would have to be accompanied by a detailed statement of supporting data as to the personnel they expected to employ and how they expected to expend the money, then the committee on accounts would come in and see how they lived up to it. If Congress had that machinery I think they would be in a better position to appropriate under more general heads, although keeping the accounts just as rigid as they are now. Then, instead of the committee bothering itself as to what should be the salary of the keeper of a vaccine station, it could concentrate itself on the really important features of the appropriation.

Mr. TINKHAM. Could you tell us just what degree of detail you think we ought to go into when the bill is reported to the House?

Mr. WILLOUGHBY. I think the heads ought to go down to Government departments and bureaus. For instance, there ought to be so much definitely appropriated for the Bureau of Fisheries, for example. I would question whether it ought to go beyond that, but Congress should provide that that appropriation should be accounted for under specified heads, with the power of making transfers between such heads upon the approval of some superior officer. That would depend very largely on whether Congress provides for an organ analogous to the British Treasury having authority to pass upon such transfers. If you do not have such an office I think it would be very foolhardy to leave it to the Commissioner of Fisheries to switch those appropriations around.

Mr. HAWLEY. Does the British treasury read into the appropriation bill, in allowing expenditures to be made, the details of the budget?

Mr. WILLOUGHBY. No, sir. It goes no further than the 150 appropriation heads, but it provides that those appropriations shall be accounted for under those appropriation heads, which accounts run into hundreds and possibly thousands.

Mr. HAWLEY. Suppose the budget contains an appropriation for a bureau in some detail, and the appropriation is made for that particular bureau. The head of that bureau spends the money for other items than those in the budget. What would you do?

Mr. WILLOUGHBY. That could not be done except on the approval of the treasury.

Mr. HAWLEY. So that the treasury does regard the budget as its guide to the appropriations?

Mr. WILLOUGHBY. Yes, sir. You must enforce the appropriation act with reference to the budget.

Mr. TEMPLE. As a guide, but not as an absolute control?

Mr. WILLOUGHBY. Yes, sir; that is correct.

Mr. TINKHAM. In the treatment of the appropriation bill when it comes to the House, should it be referred to one committee, and if so, what have you to suggest along that line?

Mr. WILLOUGHBY. The main purpose of a budgetry system is to preserve the unity of the financial program that confronts the Treasury. It is equally desirable to have that unity preserved when the program goes through Parliament or Congress, as the case may be.

The CHAIRMAN. Then you think it equally desirable to preserve its unity even if it costs a million dollars more, rather than to get some substantial result?

Mr. WILLOUGHBY. If the budget was prepared according to proper principles, there could not be additional expense in handling it as a unit. That is, I think the chapters of the budget, now corresponding to the different appropriation bills, ought to follow the order of the departments more closely than they do. There ought to be one chapter for the War Department, another for the State Department, etc. Then the budget as a whole should be referred to a single committee which would take it up chapter by chapter.

The CHAIRMAN. I understand that your objection to the distribution of the budget—the separation of it and dividing it between the various committees—lies not in the fact that different committees consider it, but that different committees consider the same elements and there can be no scientific division under our present method of separation?

Mr. WILLOUGHBY. My objection is to both features. For example, it is very objectionable. Appropriations with reference to the War Department should be handled in several bills and by several committees. Now, you have a fairly logical system in respect to agriculture. There you have the entire appropriations for the Agricultural Department carried in the Agricultural appropriation bill handled by the Agricultural Committee.

Mr. HAWLEY. Except for deficiency appropriations.

Mr. WILLOUGHBY. Except for deficiencies. Now, right there it is evidently a defect in our system that one committee may provide inadequately, we will say, for a certain department, with the result that another committee will come along and make up the deficiency. In other words, they divide the responsibility of the committee making the appropriation. The same committee ought to handle the whole case.

The CHAIRMAN. We have many cases of extravagance and injustice in this way. For instance, salaries paid to scientific and other

men are carried in the Agricultural appropriation bill and also in the legislative bill. The Committee on Appropriations has tried to keep some relation in those salaries. Here comes a man who says, "I want an increase in salary. I graduated from such and such an institution. I have a post-graduate course in Johns Hopkins University. I have worked for the Bureau of Standards for \$2,000 a year, and here is a man who graduated in my class in the Department of Agriculture, doing the same class of work that I am doing, and he is getting \$3,600." Now, referring to the very department that you have mentioned. The Department of Agriculture pays high salaries. It has a committee that considers only that bill and does not have to equalize salaries in the department with those in other departments under the Government. Of course, I can see the difficulty of one committee dealing with the pay of chemists, whether in the Department of Agriculture or in any other department.

Mr. WILLOUGHBY. My strong feeling is that a single committee should handle that question, which would meet the point you make. The feature involved there is also involved in the budget for the whole Government. The head of the department is interested in his own service rather than in the general working program of the Government. If the system in the case of the Agricultural bill was followed in all other departments you would simply have a repetition of what you have described, of each one being interested in his own branch of the Government and each one trying to boost it, with no effective means of having the salaries exactly harmonize. You would have one committee succeeding in treating its child with a little more favor than another, and that situation can only be met, in my opinion, by having one committee receive the budget as a whole and handle it by subcommittees. In other words, you would have a subcommittee on agriculture which would do exactly what the Committee on Agriculture now does, only you would have above the subcommittee the committee as a whole, which is interested in the Government as a whole and is going to be to that extent held responsible for the financial program and the total expenditures. It is going to have the incentive to economy which the Appropriations Committee now has to a greater extent than the other committees which handle appropriation bills. I do not see why the agricultural estimates could not be handled by a subcommittee just as efficiently as they could be handled by an independent committee.

The CHAIRMAN. Doctor, I think you are right, speaking purely from the scientific standpoint. I agree with what you have said. But the question that has always bothered me is one of the practical operation. After all, the system which is the best system is one that will permit the Government most efficiently to function in all its branches with the least burden on the people in the way of taxation. I do not know from the practical standpoint, unless we can get a very much improved system under which estimates will come to Congress in a much better and more digested condition, how any single committee could function in an intelligent way and bring about the results that have been accomplished in 20 years of legislation where, during that time, out of estimates aggregating \$18,020,860,868.38 the appropriations were but \$17,465,240,253.71, or a

net decrease of appropriations below the estimates of \$555,620.-614.67. And that was a period covering the fiscal years 1897 to 1916, inclusive, which shows a tremendous reduction—a reduction in every year save two. And in one of those years the increase was brought about by Congress appropriating \$50,130,000 for the Panama Canal, which was not formally estimated for.

There were only 2 years of the 20 when the appropriations were more than the estimates, and in one year, aside from that I have referred to, when the appropriations were \$395,375.91 more than the estimates, and that year the Army, post office, and river and harbor acts were largely in excess of the estimates. That is a severe indictment of the men who have been making speeches and publishing articles about the work of Congress and its logrolling methods and pork-barrel appropriations. It shows even with all of that it has discounted by more than half a billion dollars the logrolling methods and perhaps the pork-barrel methods of making estimates.

I would like to have your statement as to whether or not you have made a comparison of the work of Congress, as to the estimates submitted to Congress, to determine whether or not the work of the various committees of appropriation has failed to measure up to the responsibility the people impose in them.

Mr. WILLOUGHBY. In answer to that, I would say that I have not made a comparison by figures such as you have there. I have tried to study pretty thoroughly the rules of procedure of Congress generally, and especially in regard to handling financial measures, and I am persuaded that a very large part of the criticism that has been directed to Congress, to which you refer, is unjustified. I believe that Congress has never been granted the credit it is entitled to for the very tedious and painstaking work that is done in the Committee on Appropriations in handling and scrutinizing and holding down estimates, and all that. I think that under the system under which they have worked, they have made a rather remarkable record. At the same time, I have not a doubt in the world if they were to perfect a system that they could do still better. In other words, I believe that the responsibility for the reduction in estimates that you have given, on examination, would be found to be very largely the work of the committee on appropriations, which is a committee approximating the type that I would like to see established; that is, it is a committee that has in mind the general welfare of the Treasury in a way that other committees have not, and that its efforts have been counterbalanced to a certain extent by other committees that do not have the same point of approach that you have, and I would merely want to strengthen the committee, to accentuate still more its function of considering the problem as a whole; and I believe that important as is what it has done, it could do still better.

The CHAIRMAN. Let us keep in mind that there are three things in our system, the estimates, the consideration of the estimates by Congress, and the control of the appropriations, because they fall naturally into three divisions.

Mr. WILLOUGHBY. Three distinct functions.

The CHAIRMAN. Speaking now of the estimates, one big requirement is necessary in making estimates is it not, and if we had anything like intelligent estimates made by some one who was responsible for them and who would assume responsibility for them, is it



not likely that the figures I have given here for the 20 years would have been very materially reduced when the estimates were submitted?

Mr. WILLOUGHBY. That is precisely my position.

Mr. TINKHAM. Then, Dr. Willoughby, there is not very much credit due to Congress, is there, because it has not accepted irresponsible and extravagant estimates of heads of departments?

Mr. WILLOUGHBY. You say there is a credit?

Mr. TINKHAM. I say there is not very much credit due to Congress that it has refused what were extravagant and irresponsible estimates of the heads of the departments?

Mr. WILLOUGHBY. I think it is to the credit of Congress that they have done so.

Mr. TINKHAM. But the trouble is that the spread between the estimates and what has been appropriated has been due to irresponsible and extravagant officials at the heads of departments, largely, hasn't it?

Mr. WILLOUGHBY. I think that Congress is subject to severe criticism from this standpoint. Congress is the board of directors of the Government; it is the source of all administrative power. As you know, the President does not constitutionally have an atom of administrative power; he is an executive, and all the powers of administration which he has are those that are granted to him by law or due to moral persuasion, which he can exert as a result of his appointing powers. Now, Congress as the board of directors of the Government has the obligations of the board of directors. Those obligations are: First, that it shall see that the Government is properly organized and has proper rules of procedure; second, it shall make provision for a general manager, who will be head of the Government corporation.

I think Congress is subject to criticism in that although it has granted very broad administrative powers to the President it has never imposed on him the real obligations of a general manager, and I think Congress is subject to criticism because it has not done that. It should say to the President, "You are exercising a great many of the powers of a general manager and you are not discharging the duties of that office, and one of the duties of that office is you should prepare and submit to us your program and it should be submitted to us in such a form that we can handle it intelligently." You can say that it is really a criticism of the President that he does not do it, but it is really a criticism of Congress, as the board of directors, because it has not compelled the President to do it. And that is one of the things proposed in this budgetary reform that Congress is going to impose that duty on the President.

In the second place, I think Congress is subject to criticism because it has not provided itself with the most efficient means of handling the estimates after they have come in. It is true the reason it has not done it is probably because it has not met this first obligation; it has never gotten estimates in a consolidated and coordinated way, and therefore the question of handling the estimates in a consolidated and coordinated way did not come before it in quite the same way.

Then, in the third place, it has never provided itself with a proper means of going over the estimates of the administration to see if it lived up to the orders that had been given.



Now, I take it that the three phases of the budget that have been mentioned are three responsibilities of Congress. One, the providing for the formulation of a budget in a proper form by the Executive; two, the doing what it can to perfect its own machinery for handling that; and three, the providing for this office of auditor and comptroller general and of a committee on accounts, which will give it a means of controlling and supervising the administration, to see that the orders given to the administration are properly carried out.

The first and third of those, I think, can be handled comparatively easy and without doing great violence to the present system; that is, there ought not be much trouble in definitely imposing this obligation on the President to submit his financial program; there ought not, in my opinion, be much trouble in establishing this office of the comptroller and auditor general and determining his functions. I do not think there would be much trouble in making the transition from the present system to the new. It is only the second thing that is going to give rise to the greatest amount of trouble: that is, of Congress organizing itself to do that second function of handling the financing effectively. I would like to state what seems to me the most effective way by which it can do that. It has got to meet not merely theoretical considerations, but practical considerations. I think the chairman admitted theoretically this central committee system might be all right, but practically we are in a situation where these very important powers are distributed among a number of committees. They are jealous of their powers in exactly the same way as the departments are jealous of their powers and will resist any lessening of them if they possibly can. Then Congress has a very difficult technical problem of distinguishing between general legislation and appropriations.

Now, if this single central committee, such as I think there should be, were to attempt not merely to supply the funds with which to carry on the Government, but to seek at the same time to determine every detail of activity and method of action; in other words, general legislation, it would be more or less of an impossible task. Consequently, I think the distinction has to be made between a central committee that will simply be one to handle the supplying of the funds, the raising of the money and the voting of the funds, and that of general legislation. And one way the two functions could be harmonized would be this, of having your committee on the budget made up ex officio of the chairman and ranking member of the opposition of each of the important committees on general legislation. The result would be that the chairman and the ranking member of the Committee on Agriculture, for example, would be a member ex officio of the committee on the budget. The same would be true of the Committee on Military Affairs, Naval Affairs, and Foreign Affairs, and those representing the various branches of the Government generally. Then that committee, which would probably consist of 40, 45, or 50 men, would then organize in subcommittees, one on agriculture, one on foreign affairs, and one on navy, one on war, etc., and logically the member who was the chairman on the Committee on Agriculture, the general legislative committee, would be made chairman of the subcommittee on that part of the budget that dealt with agriculture.

The result is that the same individual, if new legislation was required, as chairman of the committee on general legislation, would introduce the bill, or file it and get it through, and then, as chairman of the subcommittee on the budget, would see that the necessary provision for funds was made in order that that activity might be engaged in. That, I think, would be a very great advantage in bringing together the problems of general legislation and of supply, and also, I think, it would go very far toward meeting the natural opposition of the chairman of all these committees other than the Committee on Appropriations, which now handle appropriation bills, to surrendering the power they now have over appropriations. It seems to me that I would prefer the status I am suggesting, if I were chairman of the Committee on Agriculture, to the one that chairman now has—I would prefer to be chairman of that committee and also a member of the Committee on Appropriations and in charge of that section of the estimates, because I would then be able, as the chairman of the Committee on Agriculture does at present, to handle both of those phases, and I would further be able to participate in the whole big problem of the work program and financing of the Government.

The CHAIRMAN. But, doctor, how about the other 15 or 18 members on the Committee on Agriculture who would not sit on the Appropriations Committee at all, and who would have all of their jurisdiction as an appropriating committee taken away from them.

Mr. WILLOUGHBY. That is quite true, Mr. Chairman, but you can not handle a complicated proposition such as this involves without centralizing authority. When you provide for the executive formulative budget, you are saying that authority must be concentrated. Exactly the same considerations apply in Congress itself. It has to have leadership. There is no possibility that I can see of handling that in any other way; and it would come the nearest—it would not meet all the objections of these other members who are not chairman and who are not the ranking members, but it would meet in part the opposition of the chairman, and it is the nearest to a practical solution.

Mr. TINKHAM. Would not that allow the other members of the committee to interest themselves more in legislation that was before the committee, rather than in the appropriation bill?

Mr. WILLOUGHBY. Yes; they of course would still have that field. And one of the strong feelings I have—I may be very optimistic—is that under a budgetary system Congress would find itself doing what Parliament does; that is, concentrating its attention on the big issues and discarding the attempt to handle the details. The result would be that this matter of appropriation details would not assume quite the importance to the individual member that it does at the present time. Take agriculture for example: The great questions there are ones of general legislation in regard to what the Agriculture Department shall do, and, in a general way, how it shall be organized to do it and whether there shall be a food controller, or whether the powers over food commodities shall be extended or not. Those are the big questions. As members on the committee on general legislation, the Committee on Agriculture would continue to handle it.

Mr. HAWLEY. Most all of those questions have already been determined.

Mr. WILLOUGHBY. For the time being. But even then, other questions will, of course, be taxing Congress all the time.

The CHAIRMAN. All of us appreciate the fact that our system is very imperfect; our estimates are submitted in such a way that no one is responsible for the whole picture; they come in such fragmentary ways that it can not but result in extravagance, duplication, and overlapping of the services. But I would like to have your opinion with regard to this, making a comparison with the British Isles: The area of the British Isles is about 121,000 square miles; the area of the United States is almost 3,000,000 square miles.

Mr. CAMPBELL. Three and a half.

The CHAIRMAN. I mean the continental United States; I am not speaking of Alaska and the possessions. It is just about 3,000,000 square miles—25 times as much as the British Isles. Their population is around 45,000,000; ours is around one hundred to one hundred and ten million. We have a great many things in the way of our national parks and things of that kind that they do not have, and they have some things that we do not have, in the way of their schools and their local institutions for the care of the poor, and things of that kind. But, notwithstanding the fact that we have more than twice the population and 25 times the area, our appropriations are practically the same, or were practically the same before the war, around a billion dollars a year for a number of years.

Mr. WILLOUGHBY. That was prior to the war?

The CHAIRMAN. Yes. Now, in making that comparison, after all (and I am only making it because I think our Government is superior to the Government of Great Britain), I believe our people are more prosperous as a whole, are more uniformly employed, and enjoy more of the comforts of life; yet they are paying out every year for the government of the British Isles as much as we are in the United States. And yet there are a great many people pointing to their system as an ideal system without a flaw, while they themselves, or at least members of Parliament, are making about as many complaints against their system as magazine writers and public speakers have been making about ours. The proof of the pudding is in the eating.

Mr. WILLOUGHBY. I would like to say with regard to that that I believe the British system is a very efficient and effective system; but I am certainly not one who believes that we should adopt it wholesale in this country.

The CHAIRMAN. It would not be applicable to our system of government.

Mr. WILLOUGHBY. I believe there are some features that I have pointed out in the congressional examination of estimates, which I think are very superior to the British system. I believe it would be possible at any rate to proceed along the lines of the bills before this committee here—that it would be possible for us to get a system that would be very much more efficient than the British system. I think it could do everything the British system does in the way of getting an exclusively formulative budget. There is no reason why the obligation should not be imposed upon the President to submit

a budget which would be superior to the British, because the British have not worked out a good many features which students of the budget know would be possible. Then I believe it would be possible for us to handle that, if we would handle that in a centralized way, so as to reduce those estimates in a way the British system does not reduce them. In other words, I think we would get all the advantages of the executively formulative budget that England has, with the additional control and criticism we would get from the legislative branch, and that the two hang together pretty well. If you simply get the executively formulative budget and it comes into Congress and Congress then distributes it under the system that we now have and that centralized responsibility is then dissipated more or less, while I think we would still continue to reduce the estimates we would not have anything like the effective system that it would be possible for us to have.

The only difficulty I see in the way is this purely practical one of getting the Members of the House who are on committees who would have to surrender a certain amount of power by permitting the change to go through the House. I have never engaged in politics at all and so am not able to speak on that phase; but I do feel that if Congress does now enact a law providing for an executively formulative budget and does not do something toward perfecting its own machinery, the criticism that is going to come from the public (and the interest that is being manifested in the budget is remarkable all over the country), that criticism is going immediately to be transferred to Congress.

Mr. TEMPLE. You can not transfer it; it is there now.

Mr. WILLOUGHBY. In other words, it is going to come under far greater criticism then that it does now.

The CHAIRMAN. I want to call attention, too, as Mr. Temple says, it is there now.

Mr. WILLOUGHBY. I believe you.

The CHAIRMAN. A great deal of it is unjustified and is as groundless as it can possibly be, but I agree with you entirely that our system is faulty and ought to be corrected, and I believe we are going to correct it, and, in correcting it, will have a much better system than the British system. But we can not do it by adopting the British system, because our system of Government is so different from theirs.

Mr. WILLOUGHBY. I know some of my colleagues who have been very enthusiastic for a budget system, and by that I mean an executively formulative budget, have felt that in enacting a budget system we should enact one like the British.

The CHAIRMAN. One that would not be changed by Congress?

Mr. WILLOUGHBY. When I first started my study I was a good deal on that side of the controversy myself; but I now feel it is not only a perfectly hopeless scheme to attempt to put it into effect in this country, but I am inclined to think it is not as good a scheme as we could get without it. It is perfectly absurd to think under such a system as we have, where the Chief Executive might be of one party and Congress of another, to say what the Chief Executive submits Congress has to accept without change. And that situation occurs very frequently. And, furthermore, as the chairman has

pointed out, Congress has done an enormous service in the past in scrutinizing and cutting down the estimates, and it ought not surrender that, but I think ought to continue to do that, and it could do it still more effectively if it is concentrated in one committee which is interested in the financial problem of the Government as a whole.

Mr. CAMPBELL. Does Congress get credit, among the people you associate with in connection with the budget, for cutting down the estimates every year, in almost every appropriation?

Mr. WILLOUGHBY. I do not think they get any credit at all.

Mr. CAMPBELL. They have not.

Mr. WILLOUGHBY. No; I am sorry to say they do not. Their attention has been concentrated on the river and harbor and public building bills, which represent a very minute fraction of the total expenditures. They have not any conception of what the committees do in the way of their hearings and their examinations and all of that.

Mr. TEMPLE. One reason for that is found in the fact, is it not, that Congress is rather impersonal. They can criticize Congress as a whole without singling out an individual man. My observation, in visiting the districts of my various friends in Congress, is that in each Congress the people will tell me, "Well, we have a pretty good man down there; but the rest of them"—no man could be elected unless his district did have a very good opinion of him.

Mr. WILLOUGHBY. Another mistake made is that budgetary reform has been largely approached from the Executive standpoint. I think it ought to be approached from the legislative. As I say, the legislature is the board of directors; it is the custodian of all administrative powers, and though it has granted authority to the President and to the heads of departments, these officers are simply its agents, subject to its directions. The whole responsibility is in Congress. Consequently the whole problem of the budget ought to be approached from the standpoint of Congress, and when Congress imposes on the President the duty of supplying a budget, it is simply giving orders to a subordinate to send up the information in proper form, and it has the responsibility and ought to discharge it in determining what the appropriations shall be. I think it ought to concentrate power very much more largely; not only have a single committee but the rules of the House ought to provide safeguards, so that the budget that it revises will go through the House without substantial change.

Mr. TINKHAM. That is, you believe this central committee should have the right, without any restrictions, of increasing or decreasing or making any changes in the budget?

Mr. WILLOUGHBY. Absolutely.

Mr. TINKHAM. As it is submitted by the Executive? Then you believe there should be an amendment to the rules of the House which would restrict a Member from making changes in the bill as reported out by this central committee. What would you suggest as those restrictions on the floor?

Mr. WILLOUGHBY. Well, it might be that all proposals for a change in financial matters should simply be referred to the committee for consideration by it or it might be that no change might be made except on a two-thirds or a three-fourths vote.



Mr. WILLOUGHBY. Either increase or decrease.

Mr. WILLOUGHBY. Either increase or decrease.

The CHAIRMAN. We ought not to curb the power of a Member of Congress unless there is a good reason for it, should we? We should grant him all of his constitutional power unless there is some abuse of that power that makes unwarranted drafts on the Treasury, so far as this is concerned. Now, personally, I can not recall where there has been very much abuse of that right; I can not recall where any considerable amounts at all in recent years have been placed on appropriation bills by amendments on the floor of the House, except they were amendments that came from the committee itself or some member of the committee, and were practically unopposed.

Mr. WILLOUGHBY. I think I have labored under a misapprehension in regard to the importance of that feature of the Government, but I was thinking rather of the power to get appropriations by special bills rather than the amendment of what might be called a budget bill. For example, you pass an act providing for a new service and there may be attached to the last clause of it an appropriation clause providing for \$100,000 "to carry out the purposes of this act." I think that ought to be rigidly barred; I think that the committees on general legislation, and so on, should decide matters of legislation only.

Mr. CAMPBELL. Under the rules of the House, if anybody should take notice of that and reserve an objection and make the objection, the appropriation can not stand.

Mr. WILLOUGHBY. Is that so?

Mr. TEMPLE. One Member of the House can stop that.

Mr. CAMPBELL. But we let that go through. One notable instance of that, because the bill was reported late in the evening and no one happened to make an objection, the appropriation, of course, had to be considered on its merits.

Mr. WILLOUGHBY. The British are very strict on that.

Mr. HAWLEY. You mentioned the Public Buildings Committee a moment ago; that committee is not an appropriating committee at all; it is a legislative committee.

Mr. WILLOUGHBY. The Public Building Committee is not, but the River and Harbor Committee is.

Mr. HAWLEY. The River and Harbor Committee is; yes.

Mr. WILLOUGHBY. There, again, I think Congress might pass a rule providing that no bill providing for a capital expenditure, we will say, for a river and harbor improvement or a public building, should be considered by nor have consideration unless it was included in the estimates submitted by the President. In other words, the Postmaster General considering his service, when the question of formulating the estimates would come up, would say, "My service demands a new building here, and here, and here," and the President considers whether he wants to put it in or not, and he considers it from that standpoint of the service; and I am inclined to think it would work out better than the present system where every man interested in an individual district starts to get a building for some city in his district.

Mr. HAWLEY. Take the river and harbor bill. The first thing in the adoption of a project is the authorization of an item for a survey. That goes then to the Chief of Engineers of the War Department



The staff of the Chief of Engineers is supposed to be composed of very capable engineers. They direct a preliminary examination to be made by the district officer. If this examination shows that the improvement of the waterways may be useful for purposes of navigation and probably should be undertaken, a regular survey is authorized, and a project and estimate of cost is submitted by the district engineer.

If this report is favorable, it goes to the division officer for his approval, and then to the War Department and is sent to the board of engineers on rivers and harbors, consisting of seven men all above the rank of colonel. The board carefully examines the proposal from their own experience as engineers. They are men who have had years of practical experience in the field. If the board makes an unfavorable report on that, that is the end of it, in all probability. And not in my time has any appropriation for rivers and harbors been made where the report of the board of engineers for rivers and harbors was unfavorable. If their report is favorable, then it must be approved by the Chief of Engineers and by the Secretary of War. Now, how would you set about—I ask this for information—to perfect the system by which expert persons in their particular business would report on the necessity for an appropriation, if this is to be objected to, and when the committee is preparing its bill an engineer of the staff sets with them?

Mr. WILLOUGHBY. Before answering that may I ask if that report is simply on the engineering feasibility and expense involved, or does it pass upon the desirability from the standpoint of the public interest?

Mr. HAWLEY. Yes.

Mr. WILLOUGHBY. As to whether the work should be done or not?

Mr. HAWLEY. Yes; that is one of the strong features before the board of engineers on rivers and harbors, and of the local engineers, that the improvement proposed is for the benefit of commerce, that the commerce justifies it, and it is for the public good.

Mr. WILLOUGHBY. So that the criticism that has been made of improvements to little creeks has been made of the approval after this process has been gone through?

Mr. HAWLEY. There has not been a dollar in a river and harbor bill since I have been here that has gone through without the approval of the Board of Engineers on rivers and harbors.

The CHAIRMAN. I have made inquiry, and the facts are as Mr. Hawley has stated, that, with few exceptions, the appropriations for river and harbor projects have been recommended and approved by the War Department and the Chief of Engineers. The entire amount appropriated for river and harbor improvements totals something over \$900,000,000. A few items have gone in on the floor of the House, but they are comparatively few and negligible in amount. Practically all the items had the approval of the Chief of Engineers and the Board of Engineers as being meritorious projects and in aid of navigation.

Mr. WILLOUGHBY. That would seem to be a pretty able way of getting expert aid.

Mr. TEMPLE. And that has been the case of public buildings bills. In my experience in my own district no bill has ever been introduced

for a building except upon the recommendation, first, of the Post Office Department and, secondly, approval from the supervising engineers of the Treasury Department.

Mr. WILLOUGHBY. I think that must be a mistake.

The CHAIRMAN. That is a mistake.

Mr. TEMPLE. In my district.

The CHAIRMAN. Oh, in your district. The last public buildings bill had the disapproval of the Postmaster General.

Mr. TEMPLE. I am not universally informed about that.

The CHAIRMAN. If you take the total amount expended for construction, extension, and repair of public buildings under the Treasury Department, including post offices, marine hospitals, quarantine stations, United States courthouses, and miscellaneous buildings prior to the war, it amounts to about three-quarters of 1 per cent of the total expenditures of the Government up to that time, and if we separate from that the expenditures for buildings in towns where the population is less than 10,000 you have less than one-twentieth of 1 per cent.

Mr. WILLOUGHBY. I think that phase of it has been very much exaggerated in the past.

The CHAIRMAN. And yet I think you will agree with me that it is a phase which the popular writer in magazines has emphasized as a reason for the budget, and has criticized Congress, when it is really a negligible thing so far as the amount is concerned.

Mr. CAMPBELL. Is it your information that a public building, say, for a town of four or five thousand people, can be placed in the appropriation bill on the floor of the House, and that trading is done on the floor of the House?

Mr. WILLOUGHBY. It is my impression that each member of a district introduces a bill providing for one or more public buildings and that that went to the committee on public buildings, and they got together and decided what they would do, one here and one there, according to what they wanted, more or less regardless of the needs of the Post Office service. That has been my impression.

Mr. CAMPBELL. I have thought from articles that appeared, and criticisms that have been made of Congress that there was an impression on the part of the writer that those bills were put in on the floor of the House without any sort of consideration at all. That has never been done in 16 years that I know of.

The CHAIRMAN. We have interrogated you rather closely in regard to this matter, and I want to say I have not read any of your writings where you indulged in that sort of criticism, and the questions I directed to you were more for the purpose of getting the atmosphere clarified a little with regard to the position of Congress.

Mr. TEMPLE. I am quite sure Congress deserves criticism, but I would like to see well informed criticism.

Mr. HAWLEY. Have you ever reduced to writing, in the form of a bill, your ideas regarding a budget system?

Mr. WILLOUGHBY. No; I have not; not to cover the whole ground. I have tried to draft at times that particular feature to which I have referred.

Mr. HAWLEY. If you are not a very busy man, I might suggest that is a very good intellectual exercise, profitable to the committee, to have you draft such a bill.

Mr. WILLOUGHBY. When you got to considering the specific wording of a bill, I have drafted some provisions on some particular features that I would like to bring forward as suggestions. I think the question of handling this problem has to be handled partly by legislation and partly by a change of the rules of the House; the matter of who is to have the authority to formulate the budget, and the control through an auditor and comptroller general can be handled through legislation; the other one has to be handled through a change in the rules of the House.

Mr. CAMPBELL. Do you think substantial amendments to the bill should be referred to the committee having the bill in charge rather than proposed on the floor of the House?

Mr. WILLOUGHBY. As a matter of appropriations, yes. At the present time there are thousands of bills providing for or making necessary an appropriation—it may be a pension, or a claim, or it may be for a public building or for a public work. I think those ought all to be treated simply as memorials, simply as an expression of desire on the part of the members, as means of bringing the matter to the attention of Congress. If they carry an appropriation, they ought to go to the Committee on Appropriations. Of course the member can go before that committee and file a supporting statement if he wants to, but he ought not to do anything else. If the committee does not want to report that out it ought to be dead.

Mr. CAMPBELL. And not be in order on the floor of the House.

Mr. WILLOUGHBY. And not be in order on the floor of the House.

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#### STATEMENT OF MR. W. F. WILLOUGHBY—Continued.

The CHAIRMAN. Mr. Willoughby, you were very kind to step aside while some gentlemen from out of the city could make their statements. I have forgotten what point you had reached in the discussion, but you doubtless have your notes before you and we will let you continue your statement.

Mr. WILLOUGHBY. Mr. Chairman, I had the opportunity when I first testified of going over the problem of a national budget in a rather general way, and I think I went practically from beginning to end. Since then I have had the very great opportunity of listening to all of the testimony that has been given, and it is perfectly evident to me that the consideration of the matter crystallizes around certain rather definite points, and if it is agreeable to the committee I would like to go back and start at the beginning and follow through as systematically as I can the concrete problems that are presented to the committee in taking action and concentrate my attention upon these particular points that seem to me to be at issue.

The CHAIRMAN. We will be very glad to hear you.

Mr. WILLOUGHBY. In the first place, starting at the beginning, the fundamental principle at issue is that of establishing definite responsibility upon some officer of the Government for the formulation of a budget; that is, a general financial and work program. It seems to me that there can be no doubt that that responsibility must neces-

sarily be placed upon the President. He is not only the only officer of the administrative or executive branch of the Government that is elected, and therefore in a position to be held rigidly accountable by the people, but he is the only officer who represents the Government as a whole as opposed to the parts, or, to put it in another way, he is the only officer that I think can effectively represent the Treasury as against the spending departments. The proposition has been made that the Secretary of the Treasury might be given primarily this responsibility, and then the President be held responsible in a sort of secondary way, being responsible for him.

Now, it seems to me that that would be a very great mistake in that it would tend to confuse the issue in the public mind. The one thing that we want is that the President shall not only be responsible in the minds of Congress for formulating a definite program but that everybody in the United States should recognize that he has that responsibility and subject him to criticism when he exercises it. In order to drive home that proposition, the act ought to read that the responsibility is put directly upon the President not for revising estimates but for preparing estimates, not as a revision of estimates presented to him but as his program. It is true that if the idea of using the Secretary of the Treasury in a more prominent way was adopted, it would be possible to create of that office an office similar to the treasury of Great Britain; but if you did so, you would simply provide an office under a different name, the same office that is being proposed when the proposition is made that the President be given a budget organ with some high official at the head.

The next question in order, after we will suppose that the proposition for making the President responsible is adopted, is giving him the means by which he can discharge that responsibility. That means that you must provide him with a budget organ. This budget organ, however it is named, should be directly under the President, and I think it ought to be made very clear in the minds of the people that that organ itself has no inherent power, but that all of the powers that are granted in respect of the formulation of the budget are in the powers of the President and the budget organ should be purely an executive agency through which the President exercises that power. The question would not then arise of this officer, whom I think might be termed the executive secretary, being superior to the members of the Cabinet. The President would be the superior to the members of the Cabinet, and any instructions or orders or wishes of his would be instructions, orders, and wishes of the President.

I do not believe any more trouble or friction would arise under that plan, no matter how courageously and vigorously this officer might discharge his duties, than there is now when the private secretary of the President, who acts very largely for the President in regard to most important political matters, meets with friction in the discharge of his duties. Two fears have been expressed in regard to the budget organ. One is that it would not be able to accomplish anything because it could not override the wishes of a Cabinet officer. The other is that it would override them and would be a super-service between the President and the Cabinet. I think that is a very important question and therefore I want to discuss it for a

few minutes. I have already said that if the head of the budget organ had the position of an executive secretary and all the powers were the powers of the President, and not his powers, the question of his being superior to the Cabinet would arise. On the other hand, keeping firmly in mind that the powers would be those of the President, there would be no danger that this superior direction of control would not be effective.

Now, what is the real trouble at the present time in respect to the formulation of economical estimates? I am thoroughly persuaded that the estimates now formulated are not economical. They are extravagant and, possibly, consciously so. The real trouble is that the President does not dominate, and one thing that we want to accomplish by the budget system is that the President will dominate his Cabinet in respect to administration matters, and that the Cabinet officers will dominate their bureau chiefs. If we place the responsibility squarely upon the President of submitting his estimates and his proposals, in order to meet that responsibility, he will have to dominate his Cabinet. That is, he will have to tell them what, in his opinion, should be done in the way of a program and what should not be done, and the Cabinet officers having that responsibility to meet, and that demand upon them, will, I think, pay more attention in the direction of dominating the wishes expressed by their bureau chiefs. I think that one thing that has been brought out by the testimony which has been given here, and, probably largely by the remarks of the members of the committee themselves, is that the source of extravagance at the present time is in the estimates rather than in the action of Congress. We hear a good deal about taxing at the source, and I have myself been very much more impressed than I ever was before at the necessity in this case, if we are to have economy and efficiency in administering the Government, of going to the source or to the original formulation of the estimates, and I think, therefore, that in establishing a budgetary system we are going to the source.

The great result will be that the estimates coming in, as they are submitted by the President, will be very much more rigidly pruned and ones that he will be willing to stand for. Mr. Garner in several remarks that he has made has emphasized the fact that the public is very much more interested in economy now than in the past. Dr. Goodnow quite correctly said that in the past the public was not a great deal interested in the question of economy. This will not be so in the future, on account of the fact that the pocket nerves of citizens will be so much more touched by the high taxes. Mr. Garner said that one of the desirable things to be achieved by establishing such a system would be to raise the issue of economy with the people. Now, the President in submitting his program will raise it on his side, and I believe that Congress should have full discretion to take that program and modify it and change it. It was brought out by Mr. Goodwin in testifying in relation to the program of the Chamber of Commerce of the United States that it was highly desirable that the committee on the budget that will receive and act upon this program in the first instance, in submitting its bill to the House, should submit at the same time a report setting forth in detail, and by comparative statements, just wherein it has recommended changes in the President's program. That raises the issue in the House itself



very squarely. Here is the President's program. The committee on budget recommends that it be modified in these particular instances, and if it represents a substantial economy, of course, that issue is raised to their advantage. After final action is had upon the matter, it would become a subject of controversy in the various constituencies, and the individual member could be held responsible by his constituency if he had supported a program that was more extravagant or carried more money than the President had said was legitimately needed for the conduct of the Government; or, if he voted to cut down the estimates, he would have that to his credit in standing for reelection.

Therefore, placing of the responsibility as squarely as possible upon the President will mean the getting of more economical estimates, in the first instance, and will make possible the raising of the issue of economy before the people, because, after all, unless we get the people interested in bringing the pressure of their opinion to bear upon it, it will be difficult to get sufficient results.

Now, proceeding to the second point: If we are going to place the responsibility upon the President, we have got to give him means by which he can meet it. The means that are proposed is that of a bureau of budget or a budgetary organ of some kind. I have said that in my opinion such an organ should be directly under the authority of the President. I would like to enter a little more fully into how I think that bureau should function. I want especially to bring out, if I can, the comparative ease with which an organ of that kind could perform these duties efficiently. It has been stated that the Government is such a huge organization that it would be almost impossible for that organ to really make an effective scrutiny of requests for appropriations that come from the several services. I do not agree with that view at all. I believe that it would be possible with a comparatively small organization to make a very effective scrutiny of the expenditures of the services on the basis of their proposals for appropriations in the future.

That organ would have to do so, not by pursuing the ordinary method of making investigations after the requests come before it of examining into them. It should know all about the Government, its organization, activities, and methods prior to such requests coming in. This means that the bureau should make of itself a general bureau of administration and of information in regard to the Government as a whole. When I say a "general bureau of administration," I mean that it should be a central bureau that will keep fully informed as to how the Government is organized, what are its activities, what are the methods that are employed in performing those activities, what are the laws and regulations governing the various services in the performance of their duties, and information of that kind. If I were at the head of an organization like that, the first thing I would do would be to call upon all of the services of the Government to prepare what I would call service monographs—that is, studies that would give the history, the activities, and the organization of these services in detail, with a compilation of the laws regulating them, and of certain statistical data regarding their expenditures and their appropriations for several years past. I have with me a volume which was prepared by the institute of which



I am the director, which is one of a series of studies published under the general title of "Service Monographs of the United States Government," this particular monograph dealing with the Geological Survey. It will take me only a few minutes, if the members will allow me to do it, to give you my idea in regard to that.

The institute had the ambition to prepare a series of monographs that would cover the services of the United States in an exactly similar way to the present one that relates to the United States Geological Survey. I will ask the committee to turn to the table of contents. Chapter 1 gives an account or history of the organization of the Geological Survey; chapter 2 attempts to describe in detail the activities of the service. I should like to draw a distinction between functions and activities. It is easy enough to say that a service has certain functions as, for example, that the Bureau of Education has the function of promoting education, but from the standpoint of the Government, especially in handling the matters of appropriations and control, we want to know what specific activities the services are engaged in in order to perform their functions. If you go into the Geological Survey, you will find that they are engaged in a large number of specific activities, some of them being scientific research, operating a chemical laboratory, the investigation of atomic weights, topographic surveys, surveys of the water resources, and the like. Then follows chapter 3 with reference to the organization that that service has for carrying that work on. If you will turn to page 87, you will find an outline of organization of the Geological Survey, showing its organization into offices, divisions, and sections, and then finally down to the actual personnel engaged. Then in the appendices are compilations of the laws relating to the service, statistical and financial statements, and the like. Now, if the bureau of the budget directly under the President had a series of studies, seventy-five or one hundred of them, prepared by each service according to a uniform plan, it would have instantly available the information that it needed.

Then, when questions regarding the Geological Survey came up, it would reach up on the shelf and take down the monograph dealing with the Geological Survey, and in relatively a few minutes could learn the facts regarding that service. Monographs of this character could be prepared without a great deal of expense, since each service would be directed, in the first place, to prepare the monograph for itself. The director of each service would be directed by the President to furnish the information in that form, and when once secured it could be kept up to date. Now, if we had a system analogous to the British treasury, having once given a list of its activities, no service would be allowed to engage in a new activity until it had made a report to the President that it proposed to do it, and had gotten his approval. I mean by that that if the President wanted to discharge his duties as general manager in that way, he could let it be known. I would not urge at the start that the President, acting through the budget organ, would go to that extent.

Mr. TEMPLE. Who wrote this monograph?

Mr. WILLOUGHBY. It was prepared by a number of men in my institute, working under my direction. I did a considerable amount of it myself personally, but so much of it is cooperative work that

no names are attached. My first point, therefore, is that it is quite feasible, no matter if this Government is huge and complex, to concentrate in one place systematic information regarding the history of the services, their activities, organization, and personnel, and that it would be not a superhuman matter to keep that matter revised up to date. Furthermore, of course, each Secretary of the departments would have a copy, and it would give him an amount of knowledge regarding the working of his services that he does not have now.

Then, it would give the heads of the services a knowledge regarding their own services which many of the officials do not have, and, finally, of course, the budget committee would have a complete set which would give it information that it requires, and they would have the foundation on which to start. Then, an order should be issued providing that wherever a service was engaged in an activity, it should set it up as an account, like a manufacturing plant would set it up as a job. Then the service should be required to keep its expenditures classified according to those activities. Then, from month to month, quarterly, or annually, reports would come in showing the total expenditures of the service, not only classified according to appropriation heads or other obligatory methods, but classified according to activities. As an illustration of that, when I was Assistant Director of the Census, shortly after the director and I assumed office, we found that we had on our desks a manuscript representing an investigation of criminal statistics. It was already either in galley proof or page proof, I forget which, when we found that it was so radically defective that it was useless. We found that crimes had not been properly defined, and there were so many omissions and other defects that the compilation was worthless. We found that at least \$50,000 had been spent on that investigation. I am inclined to think that it was \$150,000, and I know it was a large sum. The thing was so worthless that we threw it in wastebasket and nothing came of it.

The Secretary of Commerce knew nothing about it, the President knew nothing about it, and I do not think any committee of Congress knew anything about it. The accounts of the Bureau of the Census had never been kept so as to show its expenditures classified by its activities, and that bureau, as you know, is engaged in a number of specific activities, covering statistics of agriculture, statistics of manufactures, vital statistics, municipal statistics, and the like. Now, the Secretary should have had the information regarding what that bureau was doing and what had been spent on that work. The President ought to have had that information and the committees of Congress ought to have had it, and if there had been a mispending of money, it ought to have been a matter of knowledge, not by virtue of an inquisitorial investigation, but simply as a matter of ordinary accounting and reporting. Therefore, I say that a bureau of budget under the President could very easily in this way, or in other ways, prescribe methods to be followed by the departments that would give it currently the information that it needed. Another device that it could use would be that of standardized heads under which expenditures are made for objects.

For instance, a standard classification such as Gov. Lowden mentioned as having been adopted in Illinois, covering salaries, wages,

traveling expenses, fuel, office supplies, etc. That classification should then be followed uniformly by the various services, so that it would be possible to compare from that standpoint the expenditures of one service with the expenditures of another, showing, perhaps, that one service of small size was spending very much more than another service of much larger size. It would also be possible to compare one station within a service to another within the service, as, for instance, one lighthouse station in the Lighthouse Service with another lighthouse station. Without going further into matters of detail, I simply mention these matters for the purpose of emphasizing the feasibility of a bureau of budget under the President securing the information that is absolutely necessary in order to make an intelligent scrutiny of the estimates as submitted by the departments, and also to form an intelligent judgment regarding the discretion displayed by officials in spending money. I believe that that bureau would perform those functions very largely in this way rather than by hypercritically cutting down the estimates subsequently submitted or by trying to set off its judgment as against the judgment of the man who was actually doing the work. Of course, that element would have to come in, but when it did it would be done on a basis of knowledge. Of course, in securing this information it could be secured in duplicate and be available to the secretaries of the departments and for Congress as well.

I will now pass to another point, and that is the possibility of the President being something more than a rubber stamp in accepting the conclusions that may be reached by his budget bureau. I have in my own mind no question that the President would have, if not ample time, at least a very large amount of time, sufficient time, to enable him effectively to go over those proposals after they had been coordinated in this scientific manner. Of course, he would not have to enter into a great many details. The great function of the bureau of the budget would be that it would formulate issues for the President's decision. It would say to the President, "Here is a request of a service, and here is the result of our knowledge and investigation of it." Then, of course, the decision would have to be with the President.

The next point raised is regarding the form in which the estimates should go to Congress. I think that the present system is susceptible of enormous improvement, and I think it highly desirable, therefore, that the President should be given the discretion to classify estimates in such a way that they would correspond to some scientific principle of classification and presentation. One of the difficulties that exists at the present time is that appropriation heads correspond to no principle. There are a number of principles that may be adopted, and I am strongly of the belief myself, as the result of a rather detailed study of that special aspect of the question, that the proper principle of classification should be by organization units. That is, there should first be a total for the Government as a whole. That total would be classified by the great branches of government—the legislative, the executive, and judicial—viewed as organization units.

The total for the administrative branch would then be subclassified according to departments and independent establishments. The total for each department would then be classified according to bureaus.

The total for each bureau would finally be classified by its main subdivisions. Especially, where it maintained a field establishment, each field establishment should be treated as an organization unit; so that, taking the Lighthouse Service as an example, there would be so much for a lighthouse station at this point, so much for a lighthouse station at that point, and so on. Then a secondary classification to that ought to be by activities. For example, take the Bureau of the Census, and I mention that as a service with which I am personally familiar. I have mentioned the fact that it engages in a number of activities. The total for these bureau sections, ought to be subclassified according to the activities in which it engages. The result of following principles such as these would be that you would have all appropriations classified according to uniform principles. At the present time the appropriation may be in one case for an organization unit; in the next case it may be for an object of expenditure, like fuel, and in the next case it may be for an activity; the result is that you can not total those three unlike things, and it becomes impossible, therefore, to make an intelligent analysis of the total expenditures from any one standpoint.

I would like to speak a little further upon the point that I think it would be very undesirable to have this budget service put in the Treasury Department, which has been proposed, I think, by Mr. Fitzgerald, Dr. Beard, and possibly by others. The proposition was made that you could strip the Treasury Department of its nonfinancial services. That would be perfectly easy, but that would still leave the Treasury Department with a large number of financial services, which are of very great importance. I think that it is important to distinguish between financial administration and the care of financial problems as they affect the public. For instance, there is the Comptroller of the Currency, Loans, Issues, Public Debt, the Farm Loan Board, the Federal Reserve Board, and other great financial problems that properly belong to the Secretary of the Treasury, and I think he should be stripped of the other services and have those functions alone. But the matter of financial administration from the standpoint of estimates, handled in the way I have described in connection with the work of the Bureau of Budget is quite a different matter. To be sure, it is a financial matter, but it is quite different from the other functions of the Treasury Department. Gov. Lowden pointed out the fact that even where they had placed this responsibility in their department of finance, the department of finance had created a branch service in charge of a superintendent of the budget. If budgetary matters were given to the Secretary of the Treasury the result would be that you would have a subordinate service in one department attempting to discharge this general overhead function. That is what would have to take place in our Treasury Department.

The Secretary of the Treasury, with his other important fiscal duties, would have to have a special division, with simply a division chief or bureau chief in charge of it. Now, certainly that bureau chief, being a subordinate servant in the Treasury Department, would be in no position and would not have the proper status to exercise this general overhead supervision of the Government as a whole. The only way you could have that properly located would be



to take it out of that spending service. Then, of course, the point has been brought out that the Secretary of the Treasury is an appointive officer, and, furthermore, that being a member of the Cabinet, he sits with colleagues. It would be very difficult for the head of one department to effectively supervise or control his colleagues sitting around the table with him. I am very much afraid that, no matter how emphatically this obligation might be placed on the Secretary of the Treasury, he would, as a matter of human nature, perform that duty in a timid or, possibly, in a perfunctory manner. There is only one man in the Government that can do that, and that is the President. He has got to do it or have it done through an independent officer.

Mr. PURNELL. Do you think the Secretary of the Treasury could successfully supervise his own department in that respect, since he has about one-third of the Government employees in Washington under him?

Mr. WILLOUGHBY. Of course, it is a vital objection to making him the budget officer, in that his own department is one of the most important ones to be supervised; but even if you overcame that objection, he does not have the proper status. Furthermore, the placing of it there would tend to confuse the issue in the public mind. You could not get away from it, and the President would pass the buck. He would throw the responsibility upon the Secretary of the Treasury, and in that way would get out of it in the public estimation. It would tend to defeat the very fundamental purposes that we want to achieve—of definitely locating the responsibility with the President.

Mr. TINKHAM. You would not have this officer a member of the Cabinet?

Mr. WILLOUGHBY. No, sir; he would be a separate officer. He would not have an atom of power. On the contrary, he would simply perform the duties for the President.

Mr. BYRNS. What about the tenure of his office?

Mr. WILLOUGHBY. I think the tenure of that office ought to be at the will of the President. It might be legally what is known as without term. I think the result would be very analogous to what has taken place in this committee—that is, if the President gets an efficient director at the head of that bureau, and a new President should come in, appreciating his administrative responsibilities as well as his political responsibilities, and he knows that the man at the head of it is one who has got the whole thing at his fingers' ends and is competent he can not afford to let him go. Unless the man in that position had shown partisanship, and there is very little likelihood that he would, the chances are that he could be retained in office in exactly the same way that Mr. Courts and Mr. Shields were retained in office by this committee. He would, however, have under him a technical staff, and that technical staff, I think, should be permanent and protected by civil-service regulations.

Mr. TINKHAM. He would probably incur a great many enmities because of the very nature of the functions of his office.

Mr. WILLOUGHBY. I do not believe so. I believe that his great function, as I was trying to describe, would be in introducing those systematic methods of procedure, and controlling through information, reports, and records. In that way the real issues that the



secretaries would be interested in would simply be formulated by him and presented to the President for decision. The decision would be with the President. Of course the head of the bureau would have as much opportunity to present his side of the case to the President as the director of the bureau would have. The responsibility would be with the President, and I do not believe that it would necessarily lead to any enmity that would assume a personal character or a character that would interfere with the effective discharge of his duties.

Mr. TINKHAM. Would you be opposed to giving him what in effect would be a judicial term?

Mr. WILLOUGHBY. Yes, sir; I do not think there is anything judicial in the character of his duties at all. They are administrative, but, at the same time, they are so closely connected with the President that the President certainly ought to have the power of selection of the determination of whom that man should be. The tenure should be without term and subject to removal.

Mr. TEMPLE. If he were secretary to the President or executive secretary—

Mr. WILLOUGHBY (interposing). I am inclined to think that the suggestion that he be looked upon and possibly designated as the executive secretary would help a great deal.

Mr. TEMPLE. He would have a working force under him?

Mr. WILLOUGHBY. Yes, sir; who would themselves be permanent employees.

I want to take up the point which has been raised a number of times as to whether the President may or may not do this now under existing law. I anticipate that if there are members of the House who desire to oppose any action, they are going to use that argument as much as they can, and so I think it is highly desirable that it should be met in advance. It is true that the Secretary of the Treasury under the law is directed, I think, in his annual report, to submit the estimates of the revenues and expenditures of the Government, and it is also true that under the act of 1909 the President is directed, in case the proposed expenditures exceed the anticipated revenues, to submit his opinion thereon. In respect to the first proposition I conceive that it might have been possible, if the Secretary of the Treasury had assumed that function in the early days, to have made that a powerful method of submitting something analogous to a budget, but the fact of the matter is that he never has done it, and we have, therefore, a long tradition that that is not a function or obligation of the Treasury Department, except to submit it in the most summary form his annual report, so that that is not the duty of the Secretary of the Treasury now as it is interpreted. In respect to the requirement in the act of 1909 it is, in the first place, a contingent one—that is, only comes into force in case the prospective expenditures exceed the prospective revenues. In the second place, it is entirely different in its motives from that of requiring the President to submit a budget in the first instance.

The President's office at the present time, as you probably know, is not an office of record, and when a President leaves it he carries away with him the entire files, so that the incoming President gets an office

with the walls absolutely blank. He starts in without an iota of information regarding the administration, organization, or activities of the Government. Therefore he has not in his possession any of that information. I want to emphasize again very strongly that the President and his bureau can discharge their duties not as a result of the investigation of requests after they come in, but as the result of accumulated experience and the possession of highly organized and systematic records along the line suggested in my proposal for service monographs with possibly a system of reports to support them. The President now has nothing of that kind, and no machinery. Consequently, it is impossible for the President to meet that obligation, even if he desired to do so. But, after all, the fundamental thing is that we have not the recognition by any President, nor by Congress, nor by the people that he has that function. Consequently, new legislation is required to make that absolutely definite and precise. I know that Congress can not pass an act and make it obligatory upon the President, that it can only authorize. At the same time, however, when a matter like the budget is brought out in such a way that there is no question in regard to the responsibility that it is desired to set up, and it is made plain that the President is to be given every possible means in order to discharge that responsibility, there is little danger that the President can or will want to dodge this responsibility.

The CHAIRMAN. If we repealed the present laws which require the Secretary of the Treasury to transmit the estimates, and say that the estimates or budget shall only be submitted by the President, even though it is only an authority, it would repeal the other law, and would make it absolutely necessary for the President to comply with that provision of law. Is not that true?

Mr. WILLOUGHBY. Yes, sir; it certainly would be, because, otherwise, the Government would stop. It would be in effect a mandatory order upon him.

Mr. MADDEN. It would be just as great a violation of the oath of his office to refuse to perform this function as it would be to refuse to execute any other law, would it not?

Mr. WILLOUGHBY. Yes, sir.

Mr. MADDEN. So, in that way we would have power to order the President.

Mr. WILLOUGHBY. In that sense you would. The next step would be the receipt and handling of this budget after it was transmitted by the President to Congress. I will not go over again the ground as to the desirability of having that handled by a single committee, except to this extent: If the budget is to be a real budget, a real work program, it is going to be obligatory that the President shall classify the items in a proper manner.

I will take the Army, for example. The budget will have to contain the military program of the President. If this program is to be one that can be clearly understood it must be in one place—so many billions of dollars for the military establishment, including, of course, in that the War Department, and be properly itemized and classified.

Mr. MADDEN. By activities?

Mr. WILLOUGHBY. By activities, or by organization units. But it has got to be a picture of the total wanted for the Military Estab-

lishment, and the purposes for which it is intended, in the same way that totals supported by proper details would be presented for the Naval Establishment, foreign affairs, and so forth. That means that the budget as prepared on that principle would come to Congress as a single, coordinated governmental program in which the total for each branch of the Government and service would appear in one place. It is evident that Congress could not effectively handle it by the present method under which appropriations for the same service are handled in a number of bills, and at least two committees. If it is desirable that the President should formulate a definite program in respect to each governmental activity, it is equally desirable that Congress should have its definite program. This it can only have by having one committee give to it that centralized, coordinated consideration it requires of the Chief Executive when he formulates it. It is thus highly desirable that the unity of the budget should be preserved during its passage through Congress, as this as stated can only be had by having a single committee take it in charge. The decisions of this committee might be reported in a single or a number of bills, though I think theoretically it would be desirable to report it all out at once.

Mr. HAWLEY. How could the House consider one report from a single committee, while the committee was considering another; because the committee reporting it would necessarily be on the floor of the House defending and explaining its proposition?

Mr. WILLOUGHBY. I think you are right on that. I think it would be highly desirable to report it out all at once.

Mr. MADDEN. Following your suggestion, I think this single committee which you suggest necessarily has to be divided into subcommittees, one having jurisdiction over each subject, and being responsible to the full committee for its final action.

Mr. WILLOUGHBY. Yes. I think as a principle of administration there has got to be a successive gradation of the parts, just as we go up from the bureau chief to the department heads and to the President. I think that Congress has got to provide itself with a somewhat analogous organization; that is, authority has got to come to a head some place. You have got to have that leadership, and that ought to head up in this committee on the budget.

I think this is a little repetition of what I have previously said. My suggestion in regard to that committee is that it should be made up, ex officio, of the heads and ranking members of the opposition of the leading committees on general legislation, those committees that have to do especially with governmental affairs, in other words, the chairman and the ranking member of the Committee on Foreign Relations, of the Committee on Naval Affairs, of the Committee on Military Affairs, of the Committee on Labor, of the Committee on Commerce, and so forth, would be ex officio members of this central committee; and then of course there would be provision for other members; so that there would be no question that the party in power had an adequate majority on that committee, because the party in power is the one that is going to be responsible for the revised budget as it reports it to the floor.

Mr. BYRNS. Your idea is that that committee should have jurisdiction of revenues as well as over matters of expenditure?

Mr. WILLOUGHBY. Yes. It would have to be a committee of possibly 35 or 40 members. The result would be that that committee would be in effect the executive committee of the House, looked upon as a board of directors, and it would, under your principle by which the chairmanship of a committee is reached largely as a matter of seniority, that committee would be composed of the oldest—in point of service—and the most experienced Members of the House. It would be the leaders getting together. Then that committee would handle the chapters of the budget by subcommittees. There would then be a subcommittee of the budget committee on the Department of State and Foreign Affairs, a subcommittee on the chapters dealing with military affairs, and so on; and, logically, the chairmen of the Subcommittee on Agriculture, for example, would be the member who was chairman of the committee on general legislation of agriculture, so that the same man would handle matters of general legislation in regard to the Agricultural Department, and as a member of the Committee on Appropriations would have primarily under his direction the financing of the activities and work which had been authorized by general legislation.

Mr. HAWLEY. How large would you have those subcommittees?

Mr. WILLOUGHBY. I have not given consideration to it. I think it ought to be large enough to give an effective organization; anywhere from five members up.

Mr. HAWLEY. Then you would have 5 men considering the Agricultural appropriation instead of 21 men, as now?

Mr. WILLOUGHBY. It would be a smaller committee, at least, than the Committee on Agriculture. I think that the chairman of the Committee on Agriculture, of course, would be in close relations with the other 20 members of his committee on general legislation; and they are the ones that would determine, very largely, what may be called the agricultural policies. That would be where agricultural policies, to a large extent, would be determined. And then the question of financing it would be taken up by this central committee.

Mr. BYRNS. That is rather contrary to the objections that were heard this morning, in that the member of the legislative committee naturally falls into the attitude of being interested in boosting appropriations for the department which he really represents.

Mr. WILLOUGHBY. I think that that question would be met in this way: It is true that if you place a branch of the Government like agriculture in charge of a man, that becomes his hobby—his interest. He assumes somewhat the attitude toward it that the head of a department or bureau does. I anticipate that this might easily work this way. The central committee, when it receives its budget, would have a general discussion in regard to the program, as a whole, for the Government. It would look at the large total statements and caucus, in effect, on what is going to be the program of the committee in regard to the financial program, considering both the revenue and expenditure sides. As the result of that consideration it would give at least tentative instructions to its subcommittees in respect to the manner in which they should perform their work. Then, of course, when the subcommittees have made their examination and have had their hearings, which will be printed and be available to the whole committee, it would be up to the chairman of that subcommittee to defend his

proposals before the whole committee. This whole committee is not interested in any particular department, but is interested in economy as a whole, and it would check the proposals of the subcommittees in the same way that the President is expected to check the estimates of the departments and bureaus.

Mr. MADDEN. The policy you are suggesting now is followed by the Appropriations Committee in its work.

Mr. WILLOUGHBY. I think that the following out of that scheme would be very largely carrying to its logical conclusion what the Appropriations Committee does.

Mr. HAWLEY. There was a controversy a few days ago with reference to the tariff being a political issue, it being suggested that in each appropriation bill on the budget theory you very likely would have a tariff issue, which would be a political issue and involve the budget bill in a political rather than a financial controversy. What have you to state in relation to that? What are your views?

Mr. WILLOUGHBY. I must confess that when that point was raised it gave rise to serious consideration in my mind, and I really do not know how it could be effectively met. I can certainly see the fact that the revenue side is going to be a political issue in the way that the expenditure side is not. It may be that the plan I have suggested of having the same committee consider revenue and expenditure proposals is the one that is open to objection from this standpoint. It may be desirable, at least at this stage of the game, to go no further than to concentrate the matters of expenditures in this one central committee, although the budget ought to handle both sides, and the single committee on appropriations ought to have both sides for consideration.

Mr. MADDEN. Yes; for the revenue?

Mr. WILLOUGHBY. Yes; for the revenue; it ought to have that side under consideration, so that at all times it can appreciate that its action is going to result in a surplus or a deficit, which has got to be handled by another committee.

Mr. MADDEN. And fixing the tax?

Mr. WILLOUGHBY. Yes; that is, by having the other committee fix the tax, leaving the responsibility to the other committee to meet that problem. If you have two committees, their chairmen would certainly informally, if not formally, be in very close relations to each other.

Mr. HAWLEY. On the point of subcommittees studying and reporting a bill to the full committee and then the subcommittees defending their proposals before this full committee, you referred to the fact that that was the practice now in the Appropriations Committee. I had the honor to serve on the Appropriations Committee for a time before I went to the Committee on Ways and Means, and I remember two or three times a subcommittee gave a bill very careful consideration and the subcommittee chairman came before the full committee and I think in 15 or 20 minutes he made a general statement and the full committee authorized a report on the bill. Their examination of the subcommittee's work was perfunctory; the subcommittee really did all the appropriating, so far as that committee was concerned.

Mr. WILLOUGHBY. Well, I think that probably—



Mr. HAWLEY (continuing). For the reason that the full committee does not have the time to go over it all again.

Mr. WILLOUGHBY. I think it might very likely—and probably properly—be that the full committee would in great part accept the decision of the subcommittee. It would be only in regard to the big issues like the Military Establishment that it would not. I take it that if there was a subcommittee on military affairs, and it reported a bill greatly enlarging the Military Establishment, it would not be accepted perfunctorily by the full committee. I think that important questions like that or as to whether the Department of Labor should be given \$1,000,000 or \$5,000,000 to run a public-employment service, would not be necessarily accepted perfunctorily by the full committee. I would think that it would consider those questions possibly in advance, and if not in advance, when the thing was brought before it.

Mr. BURNS. The result would be very materially reduced estimates. In other words, if they brought in a bill in which they increased the estimates or did not very materially reduce them, I think that the full committee would look into it quite carefully.

Mr. WILLOUGHBY. I suspect that it would result in decreasing the responsibility placed in the subcommittee and increasing the responsibility located in the full committee.

Mr. HAWLEY. Would the five members of this subcommittee of the general committee, which is the number you have mentioned, be more satisfactory from the standpoint of the House in its examination of its proposals, than would be a committee of 21 members?

Mr. MADDEN. They would get better results than will 21 members.

Mr. HAWLEY. But we have to get this through the House, and we have to get the votes to do it.

Mr. WILLOUGHBY. I would like to emphasize the fact that the Committee on Agriculture, as a committee of general legislation, would remain intact, and that it would still have the consideration of these important bills, like, for example, the question of establishing a food administration or of continuing it in power.

Mr. TEMPLE. The question of policy would still remain.

Mr. WILLOUGHBY. Yes.

Mr. TEMPLE. There is one point there. Of course the necessity of having subcommittees is obvious. If the full committee would consider item after item, it would have to do that exclusively, and there are only 12 months in the year. If it is subdivided into subcommittees they can work simultaneously.

Mr. WILLOUGHBY. Yes.

Mr. TEMPLE. You spoke of having a committee on the budget on which the legislative committees would be represented, and then dividing it into subcommittees, that way. If one would start from the other end of the line and continue the existing committees of the House and then have a budgetary council made up of a sufficient number of senior members of those committees to take the whole budget into consideration and let the existing committees act as the subcommittees, what have you to say as to that? I do not know whether that is a practicable scheme or not?

Mr. WILLOUGHBY. I do not either, but it is an alternative proposition that I think ought to receive consideration.

Mr. TEMPLE. It would have some men on the legislative committee, so called, that is the existing committees, who would not be on the budgetary council, and it would preserve the present organization of the House, which I think it would be hard to upset, in view of the present state of mind of the Members. It would preserve the present committee organization, and yet make a sort of Federal committee, federating those committees into a budgetary council. Whether that would work or not, I do not know. I should like you to consider it.

Mr. WILLOUGHBY. Of course the idea of the full committee revising the proceedings of the subcommittee is perfectly normal and well established; but as soon as you get to the one committee revising the proceedings of another committee, it gives rise to other considerations.

Mr. TEMPLE. From that point of view, these committees would be subcommittee of the budgetary council.

Mr. WILLOUGHBY. It might be worked along that line.

Mr. TEMPLE. This is just approaching the problem from the other end.

Mr. GOOD. While this statement of 20 years of estimates and appropriations shows that in that time the appropriations were \$555,000,000 net less than the estimates, it is interesting to note that the larger decrease or cut was made by the committee that operated through its subcommittees rather than by the committees which operate as a whole committee of 20 members or thereabouts. They frequently reported out the appropriations with little reduction in the estimates as they came from the departments and in some cases it was found that there were quite large increases over the estimates. In nearly every case where the appropriation carried more than the estimate of the department, it was from a committee that did not operate by subcommittees.

Mr. WILLOUGHBY. That is very important evidence.

Mr. HAWLEY. I served on the agricultural appropriation committee for several years, and our appropriation bill was always prepared by a subcommittee.

Mr. GOOD. Hearings being held by the full committee?

Mr. HAWLEY. Hearings being before the full committee, but the bill was prepared by the subcommittee.

Mr. GOOD. I am interested to note in some of the hearings that members will say "Now, do you think you can get along with that amount?" That is rather an invitation for them to increase their estimates, right before the committee. It was a most surprising thing to me, because my training has been all the other way; and sometimes that invitation to the department was accepted.

Mr. HAWLEY. Probably the members were interested in the expenditure.

Mr. GOOD. That is very possible.

Mr. WILLOUGHBY. This plan has two other advantages that have only been mentioned incidentally. One is that it correlates the plan of general legislation with financing; and the other is that it goes part way, at least, toward meeting the practical difficulty that confronts Congress in making a change, in that it obviates the necessity of taking away from a chairman a very important power that he now has. As far as the chairman and the ranking member of the opposi-

tion are concerned, they, under this scheme, would continue to exercise that same immediate concern over the appropriations which they have exercised in the past, and in addition to that have the very great influence and power of participating in the entire financing of the Government as a whole.

Mr. MADDEN. It frequently happens, however, that the chairmen are not as important as they think they are. The other members of the committee are more important.

But I was going to ask you whether in the contemplation of the machine that you have outlined, which attracts me very much, you have thought about the advisability of having a legislative audit in connection with the expenditures?

Mr. WILLOUGHBY. I have.

Mr. MADDEN. I was not here when you gave your former testimony, so I did not know whether you had considered that or not.

Mr. WILLOUGHBY. I have, and I would like to come to that as the last step.

Mr. MADDEN. All right.

Mr. TAYLOR. Have you thought about the propriety of taking away from these various appropriations committees their power to make appropriations and leaving them intact and requiring them only to make recommendations for appropriations, and then have their recommendations passed upon by the Appropriations Committee or some other committee; so that they might do all the investigation and probably their reports ordinarily would be accepted, but still leave the power of actually taking the money out of the United States Treasury with a committee that would not be controlled by the heads of these committees, or give opportunity for any logrolling among themselves?

Mr. WILLOUGHBY. I have not considered that very point, but I have considered the very difficult problem of general legislation upon the appropriation bill, which I think is somewhat similar. I know that there is a grave objection in the public mind to so-called riders on general appropriation bills and that the bills are framed with a view to preventing that. It seems to me that general legislation is of two kinds. One is legislation that is of a purely administrative character, and germane to the matter of financing; and other legislation that is not. For example, the case that the chairman has mentioned, I think, already, of where a department was spending large sums of money for sending out telegrams to organizations to telegraph in, in support of some proposition. That came to the attention of the Appropriations Committee, and the place to catch that was right on the appropriation bill, and to write in a limitation prohibiting that in the future.

A statute may provide for the organization of an office and fix the salary of the director and the chief clerk at, say, \$2,500. The question may be raised of the advisability of changing that salary to \$3,000. I think it ought to be competent for the committee on the budget to change it right there.

But when it comes to a matter that has not to do with determining the conditions under which money shall be spent, then I think that such legislation ought not to be on the appropriation bills, although I recognize that emergencies may arise where a principle should be violated in order to meet an exigency.

Mr. MADDEN. If the legislation is foreign to the subject under consideration it is not advisable, at any rate, to undertake its enactment on an appropriation bill; but it may be, as you say, the very place to enact legislation, and the only place in which it can enact it, where it can be called directly to the attention of those who have the executing of it.

Mr. WILLOUGHBY. Yes. We will suppose that a great marine disaster occurs, like the sinking of the *Titanic*. That immediately raised the question whether our whole system of inspection in regard to ocean-going vessels is defective, and it may mean that a very great increase in the steamboat-inspection service should be made, or that it should be authorized to engage in activities not already engaged in. That comes to the attention of the committee on the budget, and the committee on maritime affairs. The chairman of that committee would immediately frame up the bill in conference with the executive officer, we will suppose, in his committee on general legislation, and put it through. Then, as chairman of the subcommittee on the budget, he would provide for financing that new service. That is what I mean, when I say that the plan proposed presents the possibility of correlating those two things of general legislation and financing.

Under the British system, the budget is purely a financial measure, granting funds with which to carry on activities otherwise authorized. This question of correlating general legislation and financing there does not arise, because the same body—the cabinet—that dominates the budget also has control of the legislative procedure in the House, and can act just the way I have suggested.

Mr. GOOD. I would like to go back to the committees. My understanding of the plan was that the persons who should be taken from the other committees—the chairman and the ranking majority and minority members—would become permanent members of the central committee to sit on other bills that would come before that committee.

Mr. WILLOUGHBY. Oh, yes; they would discharge their duties as chairmen and ranking members of the committees on legislation, to the full extent that they do now.

Mr. GOOD. I say, they would be all the time members of the appropriations committee, or whatever it was called?

Mr. WILLOUGHBY. Yes.

Mr. GOOD. Might not this happen, if you arbitrarily fixed the chairman and the ranking majority member and the ranking minority member, that you would have from one locality, perhaps from one State, a large number of persons who might perhaps predominate the appropriations committee?

Mr. WILLOUGHBY. As I say, I think that a provision in some way—although I have not thought it out—should be made for additional members.

Mr. GOOD. Yes; I understand that.

Mr. WILLOUGHBY. And consequently those additional members might be selected with a view to giving geographic representation.

Mr. GOOD. They might be selected as all members of committees are now selected, so that you would have a committee with membership diffused over various sections of the country, and at the same time have a strong working committee. That is the principal thing.

Mr. WILLOUGHBY. Yes; those considerations have certainly got to enter. I need hardly say that I have not been in a position to have them raised very concretely to me.

Mr. MADDEN. As it is now, three or four States have a majority of the chairmanships of the committees.

Mr. WILLOUGHBY. Passing to another phase, I must confess that when I originally came before the committee I was rather strongly impressed with the danger that existed under existing conditions, of a revised budget, as reported by a committee on the budget, undergoing mutilation in the House, due to amendments by individual members, and I felt very keenly in the same way that it was important to have the unity of the budget and its integrity preserved in its formative stage, so that it should be preserved as it came from this central committee, and should not be amended by a member moving to have a post office erected here, or this or that sort of thing done.

In listening to the testimony that has been given here, I have been very strongly impressed by the fact that that really is not an evil at the present time, due to the fact that the appropriations bills, in fact, do not undergo any material modification on the floor of the House.

Mr. TAYLOR. It is understood by the members that they are to stand by the committee, through the House.

Mr. WILLOUGHBY. And if you have a budget committee made up ex officio of the chairmen of all these powerful committees on general legislation and therefore including the real leaders of the House, the danger of their decisions being materially changed would be almost nothing; and, due to the fact that the individual members still feel, many of them, that they would like to have the right as individuals to make a motion and bring up a question, I am inclined to think that it would be undesirable to attempt to make any change in respect to the rules of the House as they exist at the present time. There is no use raising a question about an abuse, when the abuse is not one really important.

Mr. MADDEN. I think it would be unfortunate to take that right away from the Members, for the reason that their constituents are often insisting upon certain things, and motions by the Members would indicate to their constituents that the Members were trying to carry out their wishes.

Mr. TEMPLE. Do you mean that a Member could move to amend by increasing or decreasing—

Mr. WILLOUGHBY. Yes. I would like to have that as it is.

Mr. TEMPLE. The opinion of one Member would not have as much weight as the report of the committee.

Mr. TAYLOR. Is there not this danger in that system? Take the Agricultural Committee and the Committee on Military Affairs and the Committee on Naval Affairs and the other appropriation committees; each one of those committees is very profoundly impressed with the importance of the activities over which they preside, and if the ranking members of that committee, composed of all those members, were in one main committee, would not all of them have more of a tendency to boost the expenditures, just like these bureaus down here, by their own enthusiasm and their own building up, and caring for



their own movements, so that you would have an aggregation of men who would be thinking more about extending than about cutting down?

Mr. WILLOUGHBY. I do not think they would have any more tendency that way than they have at present, and the whole effect would be to lessen the evils of the existing conditions.

Mr. TAYLOR. I wanted to call your attention to that and get your judgment on that matter.

Mr. WILLOUGHBY. Passing now to the control of the budget after it has been enacted, I will only say that I am thoroughly convinced that a complete budgetary plan ought to provide for the office of comptroller and auditor general, independent of the Treasury, along the lines that have been pretty thoroughly thrashed out before this committee. Congress is a fund-granting authority. No organ that grants funds has fulfilled its obligation until it follows up and sees that the orders that it has given have been carried out. It has got to have some organ for doing that. That organ would be the office of the comptroller and the auditor general, whose duty it would be to follow after, audit, and inform Congress of how its orders have been executed; and, furthermore, where discretion has been granted, as there is granted considerable latitude in expenditure, the fidelity and efficiency with which that discretion has been exercised; in other words, give Congress as complete a report of the way its agent, the administration, has carried out orders given to it as possible. It may be said that the positions would not be unlike what they are at the present time, due to the fact that the comptroller and auditors at present are not subjected to administrative pressure. The position, however, would be quite different.

The auditors at the present time, and the comptroller at the present time, do not feel that it is any part of their obligation to criticize in any way the acts of the administration. If the office was independent, and especially if that duty was specially imposed upon it, its duty would be, not merely to see that all legal requirements were met, but to comment on and point out every feature with respect to which extravagance, misdirection in expenditures, abuse of discretion, etc., has taken place. Certainly an examination of accounts would reveal many points in that respect, and develop them in a very effective way.

Mr. MADDEN. Now, about an organization, and the manner of appointment.

Mr. WILLOUGHBY. That office ought to be given as nearly as possible a judicial status. In one sense it would be independent of both the executive and legislative branches in the same way as the courts are; but in another sense the office would be really an agency of the legislature. And I think that feature of it ought certainly to be made very clear.

Mr. MADDEN. The comptroller and auditor general should be not subject to dismissal by the President?

Mr. WILLOUGHBY. Not subject to dismissal; that is, protect him in the same way as you protect a judge.

Mr. TINKHAM. He would be appointed by the President?

Mr. WILLOUGHBY. Probably appointed by the President; although there is a question, due to the fact that this officer is in effect an

agency of the House, that the House ought to have some say in nominating and selecting him. That is a consideration I will not enter into. I do think, however, that it is highly important that he be given independent status like a judge.

Mr. TINKHAM. The House might suggest one or more names, from which the President could select. What do you think about that?

Mr. WILLOUGHBY. It has been said that that office would normally be filled by the promotion of a deputy auditor general. I believe that the matter of the selection of the incumbent would work itself out in this way.

Mr. MADDEN. I presume that the Senate will insist upon its right to recommend and confirm appointments.

Mr. WILLOUGHBY. There is a very nice point there as to just how this officer should be selected and appointed, but I have not anything further that I think I could contribute on that.

Mr. TEMPLE. His tenure is more permanent, and he would outlast the President that appointed him.

Mr. WILLOUGHBY. Yes; and I feel that it is true of this director of budget, and true of the secretary of the committee on appropriations. I believe that with those offices it would not be difficult to have the principle established just as a matter of convention, that the office was permanent and would run along in that way.

Mr. HAWLEY. Before you leave that, let me ask you this. Would you have a public accounts committee created?

Mr. WILLOUGHBY. Oh, I should. I think if you merely provide for this comptroller and auditor general submitting a report, and stop there, you do not get very far. We know the end of most of official reports. They are filed and dismissed. It would be highly important that Congress should make provision for a committee on accounts, whose duty it would be to receive this report, examine it, take up all the points that were mentioned for examination, and if the criticism was of the Bureau of Fisheries, for example, in respect to the exercise of its discretion in the establishment of a station where it was not needed, or what not, that committee could call the director of the bureau before it, or any other officials. It would have the comptroller and auditor general right at its elbow to act as its technical adviser, and they would track that right out and report the results to the House. That committee ought to be a very serious-minded and very important committee.

Mr. GOOD. That committee would practically assume the functions of the present numerous committees on expenditures?

Mr. WILLOUGHBY. It would assume all of the functions and perform them in a much more efficient way, because it will get the information automatically rather than as the result of a special investigation.

Mr. GOOD. Yes; and with the creation of this one committee you would abolish all of the others, and if there was need of a special committee for investigation to inquire into unusual expenditures and make a more thorough investigation, that could be created, then, as occasion might warrant.

Mr. WILLOUGHBY. Yes.

Mr. BURNS. You referred to a joint committee or a committee of each House?

**Mr. WILLOUGHBY.** I referred to handling it purely from the standpoint of the House; a committee of the House.

There are two other points that I omitted to handle as I went along, and I would like to go back to them. It will take me only a few minutes. One is that I think that a very important object would be gained if the practice could be established of having the President submit his budget as his annual address to Congress on its assembling in December. That occasion should be the one when the President would come before Congress as the general manager of the Government corporation and lay before Congress a report—an administrative report—regarding how administrative affairs had been conducted during the past year and his program for the future. It would be desirable that he should handle no other subject in that message. The result of that would be to accomplish this fundamental end that we are very keen to get, that, namely, of focusing public attention on that matter.

Now, suppose that at each session of Congress the President comes forward with that annual message, the annual report, and the newspapers feature it, as they will exclusively, and the whole attention of the people is focused right at the meeting of Congress on the administration of affairs in the past and what is proposed for the future, all other matters being left for treatment in special messages, a great end would be gained. I think also that it would be well if the President should at the same time submit the administrative reports of the departments and bureaus as supporting documents to his own report as general manager and his budget for the ensuing year. The President would thus lay his report before Congress saying, "Here is my report as manager and here are the reports of the heads of departments as supporting documents to it, and here is my budget summarizing the facts regarding the condition of the Treasury and my financial and work program for the future."

**Mr. TEMPLE.** It would be an annual address on the state of the Union?

**Mr. WILLOUGHBY.** Yes; in the very best sense.

**Mr. MADDEN.** Also, if he could bring all that information before the Congress as early as the 15th of October, it would be an advantage, because it would give time for the study of the questions.

**Mr. WILLOUGHBY.** Of course, there is a hiatus when there is no House in existence, sometimes. It might be that he should file with the secretary of the House, or some officer, that information, so that it would be available.

**Mr. TEMPLE.** Then it would be diffused through the country.

**Mr. WILLOUGHBY.** You would not get that psychological effect that you would if the President made it his annual address to Congress.

**Mr. GOOD.** Would you give the power to insert in the budget estimates of appropriation for any service not authorized by law, or for new services, or for salaries for services authorized by law beyond the authorized limit?

**Mr. WILLOUGHBY.** I would. I think it would be dangerous to limit the President, because the theory is that he is to have his opportunity of laying before Congress what he thinks should be done from the administrative standpoint, what the activities should be, and what organizations should be set up; and if he chooses, to enter into

the details of what salaries should be paid. But I think it would be highly desirable that the budget should be so constructed as a matter of mechanical make-up to bring out in the most emphatic way any such change. It might be deemed advisable, although I would not pass on this definitely, that the budget should be in two parts. One would be for financing the organizations as they exist, and then with a supplement of what additions to make, which would bring out what additional expenditure would be required, in respect to recommending changes in salaries, and the like.

I hope very much that the question of standardization of personnel will be worked out before long. If that could be done, the mechanical preparation of the budget would be enormously simplified, and the question constantly recurring of raising the salary of this individual or that, would not come up as often as it does at the present time.

Mr. MADDEN. By "standardization" you mean dividing them up into classes, and then groups within the classes?

Mr. WILLOUGHBY. The rule of classification is not to classify personnel, as it is so often termed, but to classify positions.

Mr. MADDEN. Positions, yes.

Mr. WILLOUGHBY. To take a certain service and determine what positions are required for that service and write the specification for each position, and then determine the compensation that ought to go with it. Then the question would arise in the form "shall we increase the number of positions of a particular kind from four to six or eight," and the problem would be very largely a matter of whether you wanted to increase the service or not. Such a determination of the number and character of positions required by each service and the standardization of salaries so that the same compensation would attach to a position of a given specification throughout the Government services would contribute very much to eliminating this question of salaries from the budget. The budget of course would include a schedule of salaries for each service as a matter of information as is the case in the British budget.

Mr. MADDEN. We are working now on that kind of a scheme in the Post Office Department.

Mr. GOOD. If a President should send a budget to Congress containing many items of appropriation not authorized by law, and substantially changing the salaries, either increasing or decreasing them, one man on the floor of the House could so modify the budget that it would not be recognizable, unless you would change the rules of the House making anything in the budget in order.

Mr. WILLOUGHBY. Of course that is a question that would have to be met, and I am not very competent to handle it, except that I do have the feeling that if we are going to place on the President the responsibility of formulating this budget, it is important for him to have an opportunity of letting his wishes be known.

Mr. MADDEN. If the President was authorized to make a recommendation for a change, or a new activity, in a bureau or a department, it would be easy enough to pass an act authorizing the activity.

Mr. WILLOUGHBY. Yes.

Mr. MADDEN (continuing). And then enact the appropriation to carry it into effect; would it not?

Mr. TEMPLE. You would have to delay the budget until after you could get the legislation through, and it might be a long delay.

**Mr. WILLOUGHBY.** There is just one other point, from my side, that I want to mention and that is this: Incidental reference has been made to the fact that after you have worked out this problem of a budget satisfactorily you have still the Senate to deal with. That, to my mind, is an exceedingly serious and important matter, and I have not anything to contribute in relation to it except this, that I believe that if the House would courageously provide for a budget system in the sense of providing for a properly formulated budget by the President and also for handling it as a budget in the House in some such way as I have suggested, I believe that the House will enormously strengthen its hands as against the Senate. Having secured a carefully coordinated budget from the President and having handled it in this scientific manner the House will have a position of tactical advantage, of superiority, that would make it increasingly difficult for the Senate to mutilate it. I do not say that it will avoid it, but it will strengthen the Lower House and might have the result of restoring to the House the predominance in financial measures which properly belongs to it.

**Mr. HAWLEY.** Would it be supposed that this budgetary commission of the President, or whatever name it may be given, on examining the appropriation bills as they are prepared, for the purpose of forming a budget, scientifically arranged, would be authorized to present standard forms of bills to form a scientific plan of appropriations?

**Mr. WILLOUGHBY.** In this way it would; that is, the President ought to submit the budget in a scientific form, and the House ought to follow that form, and consequently the classifications adopted by the President in his budget ought to be the classifications of the appropriation heads followed by the House. If you do not, you can not compare the program of the House, the revised program, with the President's program.

The most important accounts that are kept in the Government are the so-called "appropriation accounts." That is, for every appropriation the Treasury Department has to open an account, and the most important information that you get is the information furnished by those accounts; so that when you work out a scientifically devised budget, from the mechanical standpoint, you have laid down a scientific system of accounting heads which will make it possible to secure data regarding appropriations and expenditures that will furnish accurate information regarding the costs of services of maintaining any particular office or field station, of performing any particular activity, etc., information which can not be secured under the present system of appropriation heads, which does not correspond to any scientific system and were not devised with a view to furnishing the information needed for control purposes. It would be one of the important duties of the budget organ to work out such a scientific and uniform system of budget and appropriation heads. In doing so it should confer with Members of the House and work out, if possible, a scheme of classification that was satisfactory to both the President and Congress.

**Mr. HAWLEY.** It ought to be standardized, so as to enable the Congress later on to make comparisons on similar items from year to year.



Mr. WILLOUGHBY. Certainly; and of course you are going to have this trouble for one year, at least, when you change from a system of heads, which is no system at all, to this other; you are going to have a break there where you can not compare in the same way that you have done in the past. I do not see how you can avoid that. We had that identical problem in the Census Office; that is, there were certain classifications there that were defective. We hesitated very much to change it, because then you could not compare figures of 1910 with those of 1900; so that the question was raised, "Shall we go on indefinitely and use this defective classification, so that we can maintain the comparisons, or shall we make a new and better one?" In some cases we decided one way and in some cases the other. But that is a question that has got to be met, and there will be a time, when you pass from one system to the other, when the possibility of comparisons will be weakened.

Mr. TEMPLE. We have made some provisions for systems of accounting for business corporations in order to make it easier to collect taxes.

Mr. WILLOUGHBY. Yes. In other words, you require, for railroad corporations, administrative practices that you will not apply to yourselves.

Mr. GOOD. Have you finished?

Mr. WILLOUGHBY. I have.

Mr. GOOD. We thank you very much.

Mr. WILLOUGHBY. I certainly appreciate very much the opportunity of appearing before you.

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TUESDAY, SEPTEMBER 23, 1919.

**STATEMENT OF MR. JOHN T. PRATT, PRESIDENT OF THE NATIONAL BUDGET COMMITTEE, NEW YORK, N. Y.**

The CHAIRMAN. Mr. Pratt, would you like to make a statement to the committee with regard to the principles upon which a sound budget system should be based?

Mr. PRATT. I would, Mr. Chairman.

Mr. GARNER. Mr. Chairman, would it not be well to have each witness give his name, address, and occupation?

Mr. CAMPBELL. And also the study that has been given by each witness to this subject.

Mr. GARNER. I think each witness should state whether he represents any association or organization in the presentation of his views.

Mr. PRATT. My name is John T. Pratt, and I am a lawyer by profession. About three months ago I took up the question of studying into the need of having a budget system established in the country. In connection with several other gentlemen, including Mr. Stimson, Mr. Strong, Mr. Warburg, Mr. Cotton, Mr. Lindsey, and Mr. Nesbit—

Mr. GARNER (interposing). Do you represent any association?

Mr. PRATT. We formed an organization called the National Budget Committee, and in July of this year we incorporated in the District

of Columbia. The general idea that we had in mind was that it was very necessary to have some financial reforms established in Washington, and that the only way to get those reforms, from an operating standpoint, was to have everybody in the country, as far as possible, understand the fundamental principles of governmental finance. We are trying to build up a membership corporation throughout the country, and are trying to get to them a publication which we are issuing twice a month containing simply sound statements as to what the Government is doing with the taxpayers' money. That was based upon the general idea of trying to get them to understand the budget system, based, not only upon statutes and changes in rules, but upon an understanding on the part of the people as to what is the responsibility of Congress, what is the responsibility of the President, as well as what is the responsibility of the individual voter.

Mr. CAMPBELL. Do you mind indicating the source of the information you had in the preparation of these pamphlets as to what you allege the Government is doing?

Mr. PRATT. I read over the publications that have been issued by the Institute for Government Research with regard to the English system, the Canadian system, and those in operation in our States, so far as such systems have been established in our States. I also studied the reports of the hearings of Mr. Stimson's committee on the constitutional amendment, and the hearings held by Mr. Root in 1914 in New York State, in which they examined in some detail the question of adopting a budget system for New York State. There were several reports by the Bureau of Municipal Research on the general question of budgetary reform.

Mr. CAMPBELL. You stated that you were informing the country in these pamphlets of what the Government was doing: What was the source of your information as to what the Government was doing?

Mr. PRATT. We have published only three publications up to date, and we have been simply trying to teach the public what a budget system means. Our general point of view is that if you are going to establish a budget system that will fix the responsibility as between the executive and legislative branches of the Government, you do not want any interference on the part of the people in trying to bring to bear political pressure in a way that will interfere with that budget system. We are simply trying to inform the people as to what their individual responsibility toward the Government is.

The CHAIRMAN. You may proceed now with your statement.

Mr. PRATT. The committee has been in agreement on one main point, and that is that in the development of a budget system we must have three steps considered at the same time, namely, fixing the responsibility for the preparation of the budget, fixing the regulations and rules in Congress for the reception of the budget and the handling of the budget in Congress, and, third, the arrangement of rules for following the appropriation.

Mr. GARNER. What is the third step?

Mr. PRATT. Changing the rules for following up expenditures by the executive departments of the money granted by Congress.

Mr. GARNER. Do you mean the rules or the law?

Mr. PRATT. Probably both, although I think the rules cover it.

The CHAIRMAN. What rules? The rules of the House of Representatives?

Mr. PRATT. Yes, sir; the rules of the House of Representatives.

Mr. GARNER. When the bill has been passed and is signed by the President, the rules of the House of Representatives have nothing to do with the law as I recall it.

Mr. PRATT. Rule 11, subsection 42, reads as follows:

The examination of the accounts and expenditures of the several departments of the Government and the manner of keeping the same, the economy, justness, and correctness of such expenditures; their conformity with appropriation laws; the proper application of public moneys, etc.

The rule provides that those shall be subjects within the jurisdiction of nine standing committees.

Mr. GARNER. You refer, then, to the duties of those committees, as outlined there?

Mr. PRATT. No, sir; as I understand it, those committees are not obligated to make reports.

Mr. GARNER. No committees of the House of Representatives are obligated to make reports except on bills referred to them, which they may do as they see proper, or they may, on their own initiative, undertake to make an investigation of some facts.

Mr. PRATT. Under the third subject embraced in this budget idea, there must be, in our opinion, some obligation put upon some committee or committees of Congress to directly follow and persistently follow the expenditure of money by the executive branch of the Government. I think this would be covered by the rule to which I have called attention, if there were added to it a provision that a report be made.

Mr. CAMPBELL. That investigations and reports be made?

Mr. PRATT. Yes, sir; and to report. As I understand it, there is no consolidated report by committees to the House showing concretely what the administration has done with the money granted.

Mr. HAWLEY. You have in mind now a function similar to that performed by the comptroller and auditor general of Great Britain?

Mr. PRATT. Yes, sir. The following up of the appropriation, to my mind, falls into three heads: You have the straight auditing, or just the simple function of bookkeeping, and you have a report as to whether the executive departments have done their work well. It is analagous to the case of a traveling salesman. You get the bookkeeper to find out whether his accounts are accurate, but from the head salesman you find out whether he is doing his job properly. Those two functions are quite distinct, as I look at it. These committees of Congress that I refer to should have the obligation put upon them of seeing that the work is done well. The committee feels absolutely that under the Constitution the responsibility should be definitely and permanently fixed upon the President to draw up the working financial plan of the Government. That is his responsibility under the Constitution in the exercise of the chief executive power of the Nation. As to how it should be done the committee feels very strongly that a staff or budget system commission should be appointed, and that that staff should be independent of any of the departments of the Government. We believe that they should be directly responsible to the President. Our theory about that is that if you put it under the Treasury Department or any other department you would immediately make it impossible for that

department to have its own accounts looked at from a critical standpoint.

The CHAIRMAN. What power would you give that budget staff or commission?

Mr. PRATT. I would give it the power of doing what your committee did in the hearings on the first deficiency appropriation bill, a copy of which you sent me. You brought out then a situation of overlapping and duplication of service on the part of various bureaus and departments of the Government. I should make it the business of the budget staff to do the best they could to make every bureau chief and every cabinet officer justify every expenditure asked for or proposed and every estimate submitted.

The CHAIRMAN. They would prepare the budget?

Mr. PRATT. Yes, sir.

The CHAIRMAN. And send it to Congress?

Mr. PRATT. No, sir; they would send it to the President for his signature.

Mr. BYRNS. How much organization would you have for that purpose?

Mr. PRATT. Five men. A staff of five men is what we had in mind.

The CHAIRMAN. With what tenure of office?

Mr. PRATT. I would make their tenure run from presidential election years, beginning with terms of four, five, six, seven, and eight years, and four years for each man who was reelected.

Mr. GARNER. Would they be elected?

Mr. PRATT. No, sir; appointed by the President.

The CHAIRMAN. And confirmed by the Senate?

Mr. PRATT. Yes, sir; confirmed by the Senate.

Mr. GARNER. You would have them hold office during the term of the President?

Mr. PRATT. Yes, sir. Our idea was to take it out of politics. As I understand the situation, I should say that, roughly, about 75 per cent of the appropriation bills are for what might be called the expense of running the Government or carrying on administrative business the scope of which has already been determined by Congress. There ought to be no politics in that.

The CHAIRMAN. Suppose we should enact such a law and that law should become effective, say, the 1st of January. Then the President would appoint five persons, the term of the first to continue until January, 1925; the next until January, 1926; the next until January, 1927; the next until January, 1928; and the next until January, 1929.

Mr. PRATT. The only idea we have in making this suggestion as to this number of years was that we did not want to have the power given the President to commence the budget staff by appointing a commission that might be politically picked.

Mr. GARNER. You would appoint a man for five years——

Mr. PRATT (interposing). That is arranged so that they would not all stop at the same time.

Mr. GARNER. This budget staff or committee, or whatever you term it, would prepare the budget and send it to the President, and the President would then send it to Congress—is that the idea?

Mr. PRATT. Yes, sir.

Mr. GARNER. When it got to Congress, what would be the procedure?

Mr. PRATT. The second step in the budgetary reform—

Mr. BYRNS (interposing). Before you go to the second step, I would like to ask you a few questions: You stated that under your system there would be a staff of five?

Mr. PRATT. Yes, sir.

Mr. BYRNS. To make investigations and reports to the President?

Mr. PRATT. I would give them that power. I would create a staff that had the power to go to any one of the Cabinet officers and bureau heads and force explanations, just as that power is now exercised by the Committee on Appropriations. I would have them to do as much culling out as possible, as is now done by the Committee on Appropriations and the Committee on Finance. In other words, I would present to the President for his signature a paper which would have in it only the things which were justified by the men who were actually going to spend the money.

Mr. BYRNS. We were told yesterday by the governor of the State of Illinois who spoke with reference to the Illinois State budget which involves about \$52,000,000, that they had what might be denominated a staff of eight or ten people. Do you think that a staff of five could really handle the situation for the national Government in connection with the Federal departments and other governmental activities?

Mr. PRATT. My conception of a staff is that it is a body of men acting as directors. You must have a great many clerical assistants, and you must have one or two experts in connection with the mere auditing and bookkeeping end of the budget. That leaves a board of directors of five, if you will, or a staff of five, so that you get the combined judgment of five men, rather than of one or two, on questions of policy. It will take a great deal of courage to go into one of the bureaus of the Department of Agriculture, for example, and say, "You are overlapping service with a bureau of the Department of Commerce," as the case may be. It will require a great deal of courage to straighten out those two bureaus, but that is just what ought to be done before the budget comes here for the consideration of Congress.

Mr. HAWLEY. A very considerable proportion of the expenditure of public moneys has to do with public policy. Would you give this budget committee or commission power to pass upon policies?

Mr. PRATT. No, sir?

Mr. HAWLEY. You would simply authorize them to inquire whether the amount asked for was too much or too little, or just sufficient to carry out the policy that is proposed?

Mr. PRATT. Yes, sir; and whenever it comes to a question of public policy—that is, if the Department of Labor or any other department states that a particular bureau spent last year so much money, and that they think it ought to spend twice or three times as much next year because of the feeling of the country that this particular line of development ought to be carried out to a greater extent than before, our staff would say, "That is a question of policy or public policy; up to date you have spent so much per annum, and now you want to enlarge your work." Now, that is a question that ought to be put concretely before the President.



Mr. HAWLEY. How would the budget committee or commission obtain the information upon which to base a judgment regarding the activities of one of the bureaus of the Department of Agriculture, for instance?

Mr. PRATT. By giving them power to investigate.

Mr. HAWLEY. You can not do anything by simply conferring power. Would they have authority to go to the Department of Agriculture and examine into the workings of that department, or to go to the different bureaus and have representatives of their office down there working with the department, observing their expenditures and methods of work? How would they get the necessary information on which to form a sound judgment?

Mr. PRATT. Of course, if the President is unwilling to sign the budget prepared by the staff——

Mr. HAWLEY. That is not the question at all, but the question is as to the wisdom of their estimates. Of course, all sound legislation must be founded upon accurate and adequate information, and I want to know how you will get that accurate and adequate information.

Mr. PRATT. When you give them the power——

Mr. HAWLEY (interposing). That does not do it. Simply giving them the power will not do it. What practical methods, activities, or procedure would that budget commission use in obtaining the information upon which to form a judgment.

Mr. PRATT. Well, as I understand the law and the statutes, the President has the right to do what he wants with the departments. He can give any orders to his Cabinet officers now, and I was referring to the machinery to enable him to obtain the information from his subordinates.

Mr. HAWLEY. Would you have this budget commission given authority to have representatives of the commission in the departments making examinations into the workings of the departments and reporting upon them?

Mr. PRATT. If necessary; yes, sir.

Mr. HAWLEY. You say, "If necessary." In your judgment, would it be necessary?

Mr. PRATT. It is necessary to have every bureau chief in every department, when the estimates for that bureau are submitted, to explain what the estimates mean and what they are for.

Mr. CAMPBELL. Just as they do now in the Committee on Appropriations?

Mr. PRATT. Yes, sir.

Mr. HAWLEY. Would you have them given additional means or authority to go and obtain information through their own officials and employees with which to test out the information given by the bureau chiefs?

Mr. PRATT. I would give them authority to verify any facts that any bureau chief might present.

Mr. HAWLEY. How would you have that put into practical effect? Would you do that by representatives of the commission in the Department of Agriculture, for instance, or in the bureaus?

Mr. PRATT. I do not believe that representatives of the staff would have to go and stay or live in the various bureaus and offices. I

think that what they have got to do is to get all the information about the operations of the various bureaus of the Government, and get that information together from the standpoint of the question of whether any of this work is overlapping anybody else's work.

The CHAIRMAN. Mr. Hawley's question is one that I would like to have more information upon. Is this your method of procedure: Would you have quarters where you would, for instance, when you took up the estimates of the Department of Agriculture, call the Secretary of Agriculture and the bureau chiefs there before the budget staff and thresh out every item in the bill, having the statements taken down in shorthand and the hearings printed?

Mr. PRATT. I would; yes, sir.

Mr. BYRNS. Take, as a practical illustration, something that comes before this committee every year. We will say that the Bureau of Mines has stations all over the country, in Arizona, Montana, North Carolina—I do not know just how many States—and we will suppose that the estimates of the Bureau of Mines have in them \$25,000 for maintaining each of those stations. How would this budget staff arrive at just what was needed for those particular stations; that is, for stations located outside of Washington in various parts of the country—West, South, North, and East?

Mr. PRATT. If I were on the budget staff I would say to the Bureau of Mines, "Now, gentlemen, you are charged with the obligation of conducting this particular activity of the Government, and I want to know what your plan is for carrying on that work. If you have no plan that is national in scope, then it is time you were preparing one, and when you get it prepared I want to know whether it is a thing that can be carried out in 1 year, 5 years, 10 years, or 20 years. If it is work that should be carried out in more than one year, then I want your judgment as to what part of that work ought to be done this year and next year."

Mr. BYRNS. Would not that be a question of policy?

Mr. PRATT. If it were a question of policy, I would take it up with the President, if there was any disagreement between our staff and the head of the department.

Mr. BYRNS. The inquiry which you suggest would involve a question of the policy of the department or bureau with reference to the establishment of stations and their support.

Mr. PRATT. I do not think we could make any headway in the matter of financial reform unless we could have the department formulate its policy.

Mr. BYRNS. Would not that make this budget staff practically the judge as to the policy that should be followed by the Government?

Mr. PRATT. No, sir.

Mr. BYRNS. Would it not in the particular activity that you were talking about?

Mr. PRATT. No, sir. It is hard to explain this, but if I was President of the United States and in charge, as I think I would be, of the operations of the Government, I should require that all of these departments should formulate a general plan of what they were trying to do; a broad, basic plan, covering, for instance, river and harbor improvements, the operations of the Bureau of Mines, and everything of the sort, on a national plan of development. That

would be required as the first step before asking for any money. Then as the budget staff I would get the instructions of the President in regard to each policy.

Mr. CAMPBELL. May I illustrate a little further along the line of Mr. Byrns's suggestion? The Bureau of Mines, for instance, asks for \$25,000 additional money for a station in Mining District No. 14 in Oklahoma for the purpose of establishing a safety station at each mine. What authority would you give this budget committee over that request for the additional \$25,000?

Mr. PRATT. That would raise a question of public policy immediately—that is, is it the policy of the United States to spend money for establishing safety appliances in every mine of the country?

Mr. GARNER. Who is going to determine whether, or not, that is the public policy?

Mr. PRATT. The President would pass on that.

Mr. GARNER. The President does not establish the public policy of the country. Congress is supposed to do that, especially when it relates wholly to the policy of appropriating money. For instance, the question of whether you will use \$600,000 or \$400,000 for the eradication of hog cholera, is a question of policy. Now, suppose your budget committee is making up a budget and that question is presented, would the President of the United States tell you whether \$600,000 or \$400,000 will be required for that purpose? Who will tell you how much money should be devoted this year to the eradication of hog cholera?

Mr. CAMPBELL. Or for the eradication of the boll weevil?

Mr. GARNER. Yes; or for the eradication of the boll weevil. We had quite an agitation here when the Department of Labor was asking for \$14,000,000 for employment agencies, and I think it finally got down to \$400,000, all of it involving questions of policy. Now, as I understand it, your budget committee would go up to see the President to ascertain the policy. You would say, "Mr. President, is it your policy, or is it the public policy of the country to vote \$14,000,000 for this purpose, or shall we make it \$4,000,000 or \$400,000? We do not care about Congress, but we are fixing this thing up with you, Mr. President, and it is for you to say whether we shall recommend to Congress an appropriation of \$400,000 or \$600,000 for the eradication of hog cholera. What shall we do about it?" Now, I challenge you to tell me of a single appropriation that does not involve a question of public policy. Just name one that does not. Name one that is not a permanent statute now.

Mr. PRATT. You are much more familiar with the public statutes than I am.

Mr. GARNER. I mean permanent appropriations. Anything that involves the discretion of Congress has the question of public policy involved in it. Now, your idea is that in each instance you would run to the President and ask whether, or not, it was in accordance with public policy?

Mr. PRATT. In the first instance; yes, sir.

Mr. GARNER. And that is where your whole scheme will fall down. You would go to see the President first to find out whether it is the public policy, and then you would go, for instance, to the Bureau of Markets and ask whether they needed this money or not?

Mr. PRATT. No, sir; I did not say that. I said that I would have the budget staff find out whether the request made by the Bureau of Markets was justified or not.

Mr. GARNER. Whether the expenditures were justified?

Mr. PRATT. If necessary we would reduce down to fit the public policy.

Mr. GARNER. What do you mean by "justified"?

Mr. PRATT. If you followed the testimony before the committee on appropriations in connection with the first deficiency appropriation bill it seems to me that it would have indicated to you a woeful lack of system. The people in the Bureau of Markets were feeling about, and they were going along on the theory of going as far as they could and getting as much money as you would give them. Of course, no Government can accomplish everything that might be done.

Mr. GARNER. Let us take the Bureau of Markets to illustrate the public policy. First, Congress gave them \$50,000, I think, the next time they were given \$200,000, and the next time \$400,000. Each time they were extending their activities. Now, as the representative of the budget staff, would you go to the Chief of the Bureau of Markets and say, "Mr. Brown,"—or whatever his name is—"we want to find out how much money we are willing to let you have, or what the public policy is to be next year in regard to your work—that is, whether, as a matter of public policy, we shall recommend that you are to have \$300,000 or \$400,000?" Suppose they should answer, "We want a million dollars," would you run to the President to ascertain whether it is the public policy of the country that the Bureau of Markets should have \$1,000,000 next year, or \$400,000, or \$100,000, or \$50,000?

Mr. PRATT. My theory is that the first thing the President will do will be to say that we are going to have from revenues this year, approximately \$4,000,000,000, that statement being based on reports made by the Secretary of the Treasury. Then, suppose we have demands from the bureaus calling for an amount that will exceed that \$4,000,000,000 by a good many million dollars. It is our duty, in the first instance, to try to get up a plan that will keep the expenditures within the estimated amount of income that the Government will will have, or we cut the coat to fit the cloth. In doing that we must, in the first place, make some decision between the various conflicting demands of the bureaus of the Government, and in order to do that we must find out what policy each bureau is trying to carry out.

Mr. GARNER. According to your illustration, the President can determine whether we will expend the entire \$4,000,000,000. I do not know that the President could determine how much money shall be spent by this Government in any fiscal year. You are going upon the theory that the President will determine all those things. You were proceeding to say that your budget staff or the President might determine to spend \$4,000,000,000, and we want to know just how you would handle the appropriation.

Mr. PRATT. My theory is that you must first fix the responsibility for preparing the financial program. It is either a job for Congress or for the President, and our feeling is that the best place to put

that responsibility is with the President. In the first instance, the responsibility for preparing the financial programs, in our opinion, should be placed with the President; and in preparing that program you should take into account, first of all, the amount of money that the Government will probably have from revenues, and then you must allot it.

Mr. GARNER. Who will determine that?

Mr. PRATT. Congress.

Mr. GARNER. Who will return it, or to whom will you report to get information as to how the budget commission shall act, or as to what the public policy is? You stated that you would not interfere with the public policy and would not determine the public policy, and I am trying to find out what process you would follow. Each time you examined a bureau chief, with a view to determining whether his bureau should have \$400,000 or \$600,000, you would have to come to Congress for a determination of what the public policy is. After all, all that your committee would be able to do, and it might function in that way, would be to ascertain facts and ascertain the degree of efficiency and methods of expenditure in the various departments and report back to the appropriations committee so that they might have some check on the bureau officials. You might render some service in that way. So far as having hearings just like those before the Appropriations Committee is concerned, they might come along and the budget committee might recommend \$400,000 for hog cholera eradication for the next fiscal year, with the approval of the President, but the committee might take a different view of it, after hearing the officials, and give \$800,000—that is, if the committee believed that to be the proper public policy in the matter of increasing the appropriation for the eradication of hog cholera. That is the whole story.

Mr. BYRNS. As I understand it, under the plan you propose you would fix responsibility upon the President——

Mr. PRATT (interposing). In the first instance.

Mr. BYRNS (continuing). Both as to the policy and, in one sense, as to the amount of the appropriation. But it seems to me that you propose to tie the hands of the President by providing a budget staff which probably he would have inherited from some previous administration and over which he would have no particular direction or control.

Mr. PRATT. The first question to settle in budgetary reform, as I look at it, is the question of fixing responsibility for appropriations on the basis of estimated income and expenditures. Through the discussions of the House and the Senate the budget can be changed in any way desired, and that is the second consideration. The first thing is fixing the financial plan or program. At the present time you have nothing but the Book of Estimates, which is not of much value.

Mr. HAWLEY. You suggested a budget committee or commission of five. Now, how large a staff would that budget commission have—10, 100, or 500 people?

Mr. PRATT. It is very difficult to say.

Mr. HAWLEY. This is legislation that you are suggesting, and if you are going to advise legislation you must have some basis.



Mr. PRATT. I think that the suggested appropriation of \$250,000 or \$150,000 would be sufficient. You would then appoint five men at six, seven, or eight thousand dollars apiece, and you could give them \$100,000 with which to employ clerks and other help.

Mr. HAWLEY. Would you employ clerks or would you employ some experts along particular lines? For instance, in the Department of Agriculture, would you have some experts in that department obtaining definite information for you? Is your budget commission simply going to form an opinion upon the statements made by the bureau chiefs or is it going to make independent investigations of the same subjects and compare the investigations you make independently with the facts furnished by the bureau chiefs in order to be able to form a judgment otherwise than upon the facts and arguments submitted by the bureau chiefs? How would you be in a position to justify a proposed reduction of a bureau's estimate from, say, \$500,000 to \$400,000, unless you had information outside of what the bureau chief might furnish to show that \$400,000 was adequate for the purpose?

Mr. PRATT. Only by bringing clearly out the question of what he, as bureau chief, was trying to do. For instance, in this case of hog cholera, if he was trying to eradicate hog cholera in the country, and that was known to be the public policy of the Nation, he ought to have enough money to do it.

Mr. HAWLEY. There are many subjects much more complex than hog cholera.

Mr. PRATT. The principle applies to all of them. The point I want to make is that the first step you must have is a financial program showing so much income and so much expenditures. In view of the very complicated situation in Washington, your budget staff would not be able to do much during the first two or three years. It would be too big a job for any body of men to make an absolute clean-cut job of it the first year. It must be worked out by evolution, but in time I think it would come to the point where all of those things would be ironed out. You can not at one fell swoop do away with all of the overlapping. There are many things to be done before you can make a consolidated statement of estimated income and expenditures.

Mr. HAWLEY. I would like for you to discuss the organization of the staff or commission. Of what kind of persons will your organization consist, and where would they work?

Mr. PRATT. Where they are located would be immaterial. The first job of the five men would be to find out what the systems of accounts are, and what system with reference to appropriations and revenues is now in force.

Mr. HAWLEY. In forming their judgment, those five men would very largely depend upon what was told them, would they not?

Mr. PRATT. They would study the records.

Mr. HAWLEY. They would not get information at first hand, would they? They would have to depend upon what was told them or upon printed information furnished them, would they not, or would you have that commission empowered to get information directly from the bureaus through sources not connected with the bureau chiefs, but connected with the commission and responsible to the commission?

Mr. PRATT. In the first instance, I would try to make it broad enough to have that development later, if it were necessary, but you could not do that in the first year it was organized.

Mr. HAWLEY. How would it be impossible?

Mr. PRATT. I have in mind now a complete study of all the statutes that exist on the subject, and I know that there are 35 or 40 statutes limiting appropriations. For example, in the matter of public buildings, the rules provide for the submission of plans. All those statutes must be codified and brought together. You must set up a standard for all the departments covering their procedure, and that will be a very big job in itself. That would keep the staff and their assistants very busy for the first two or three years in trying to learn all of those things.

The CHAIRMAN. As I understand it, you would make the President responsible for the budget?

Mr. PRATT. Yes, sir; in the first instance.

The CHAIRMAN. Now, you say that this budget staff of five men should be removed from all political consideration?

Mr. PRATT. Yes, sir.

The CHAIRMAN. You want to make them a sort of court of finance that will determine these questions somewhat like the Supreme Court would determine questions of law?

Mr. PRATT. The closest analogy would be the treasury department of England. It is a permanent body of men to whom all of the departments come for information and where they put in their requests for money. They are the first sieve through which the requests have to go. Of course they have not the ultimate voice, because the chancellor of the exchequer is the ultimate voice in it.

The CHAIRMAN. Now, the President is elected upon a platform promulgated by his political party, and the people approve that platform and the policies laid down by the candidates in electing him. Now, are you not going to embarrass and hamper the President by this continuing budget staff that he has not selected and about whose appointment he has had nothing to say? He would have nothing to say about the selection of the members, say, during the first two years of his administration, and would it not be embarrassing to the President to say that he must take the information furnished by a budget staff not of his selection and which may be composed entirely of men who do not believe in the political plans or policies of the President? I will say to you that practically every appropriation does involve a policy, and the appropriating committees have to decide those policies. The thing that is running through my mind is this: You create an agency for the President; you say that the President must be responsible for the budget, and yet the budget that is prepared by the budget staff may be entirely contrary to and in violation of every principle advocated by the President.

Mr. PRATT. It can not be. What the budget staff is doing is getting together all of those things to present to the President in concrete form. He has got to settle the question.

The CHAIRMAN. The question is so big that he can not settle it in all of its details. Here, for instance, is the Book of Estimates containing more than a thousand pages of closely printed matter,

and involving thousands of items. The President must have somebody upon whom he can place absolute reliance in passing upon all these matters in order to be sure that they have not misled him. That is true, because he can not go into the minute details of every item, and unless he has a large staff or body of experts who are working up this book of estimates or budget on whom he can place absolute reliance, how is the President to act intelligently and know when he gets the budget that it is, after all, his budget and a budget that he is willing to be held responsible for?

Mr. PRATT. As I look at the thing, the estimates of each department would have to be approved by the Cabinet officer in charge of that department, and if the President did not agree with what the budget staff recommended and there was conflict of opinion between the Cabinet officer—we will say the Department of Agriculture—and the budget staff then, it would go to the President.

The CHAIRMAN. Then, that would not correct some of the abuses that we know exist under our present system. No Cabinet officer wants to give up any of his activities, and yet we find in actual practice that there have grown up in the Government service a great many duplications and overlappings of service. The Secretary of the Treasury, perhaps, would not want to give up the Public Health Service of his department; the Secretary of the Interior would not want to give up the public health activities in his department; the Secretary of Labor would not want to give up the public health activities in his department, and if the budget staff simply carries out the wishes of each of the Cabinet members then we will not accomplish or bring about the reforms and economies that everybody wants to have brought about.

Mr. PRATT. It is, I think, up to the President.

The CHAIRMAN. That brings us right back to the other proposition that the President must have some one of his own choosing and who he knows will reflect his opinions and ideas with regard to the policies involved, and if he does not have that I do not see how he will get a budget that he can indorse and one that he is willing to stand by. If you tie his hands in that way, he would go before the people and say, "Of course, the administration has been extravagant, but why? Congress tied my hands before I was elected by creating for me a budget staff, or the budget staff was selected by my predecessor. They do not reflect my ideas. I had to accept their conclusions, but they are not my opinions, and I simply transmitted them as a matter of course."

Mr. PRATT. Do you think the President would sign a budget prepared by a budget staff that he did not agree with?

The CHAIRMAN. I think the President would have to forward the budget. Otherwise the machinery of the Government would stop on the 1st day of the next July, if the laws were enforced. The President would in practice be compelled to submit to Congress the budget or estimates, and in submitting them he might still say that they did not reflect his ideas, but that they reflected the ideas of a budget staff that Congress created; that he had no other machinery, and that it was beyond human endurance or possibility for him to prepare a budget in any other way, Congress having already by statute fixed that method.

**Mr. PRATT.** I do not see any difference, whether the budget staff is created by the President or is a nonpartisan board created by some other President. He would do the same thing in either case. If he selects his own staff, he says, "This year we will spend so much money," and he can say that with any budget staff.

**Mr. CAMPBELL.** May I illustrate the difference? If the President selected his own staff, he might say to the budget staff so selected, "Now, I have a suspicion that the \$18,000,000 appropriated for the Department of Agriculture for making a food survey of the country is a waste of money, and I want you to look into that 90 per cent prejudiced against it, and cut it out. Then, I want you to go over the field of Indian agencies and see how many of those agencies can be cut out. See if you can not cut out about 60 per cent of them, and still maintain an Indian service that will be of benefit to the Indians." He could go on through the different departments in that way, covering military posts, river and harbor improvements, etc. He could say to the budget staff, "Go into the bureaus and commissions at Washington and see if you can not cut out about 90 per cent of them and still have a government that is of, for, and by the people."

Now, a bureau created by the President would give heed to something of that kind, but my observation for a number of years is that a bureau that is nonpartisan would become reckless in the expenditure of money; they forget that there is a taxpayer.

**Mr. GARNER.** And they desire to get power.

**Mr. CAMPBELL.** And this bureau that you speak of would be one of the most powerful bureaus within the Government in five years; so powerful that it could control——

**Mr. GARNER** (interposing). They would dictate to every Navy officer and every Army officer.

**Mr. CAMPBELL.** One of the things that they would create in the very beginning would be a press agent. Mr. Willoughby said last night he thought Congress needed a press agent; I think it does. Nearly every bureau chief in this city has a press agent and they are magnifying the importance of their bureaus and their commissions in the country every week. This bureau would be doing the same thing and the President's will and the will of the country would not go very far. The President does not know the one-hundredth of the items that are contained in that Book of Estimates; that is, the concrete items. He would have to rely on the general policy submitted to him by his board of reviewers or his budget staff, as it appears to me.

**Mr. PRATT.** The great objection, as I see it, to the appointment of a budget staff by the President for his tenure of office is the fact that he can not get a scientific budget designed for permanency in that time by men who are familiar with the subject.

**Mr. CAMPBELL.** What do you think of having the Secretary of the Treasury responsible, with men under him who shall be responsible to him?

**Mr. PRATT.** The main objection to that is that in an examination of any expenditures by the Department of the Treasury it would come to the staff to be handled, and you can not have an under bureau override the chief of the department.

Mr. CAMPBELL. You would have a bigger concern than the Treasury Department in this budget commission in a short time; spending more money for their personnel.

Mr. PRATT. I do not think so. I think what we need is a committee to whom they can go for money advice, both income and expenditures. I think you must make it permanent. I am more concerned in the establishment of that staff, to operate as I have indicated, than I am in the question of who appoints it; though I have testified as to why I think the staff should be appointed by, and subject to, the President.

Mr. CAMPBELL. The question of finding out where governmental functions overlap is, after all, the important thing. That is the thing that must be found by the President and by Congress.

Mr. PRATT. I quite agree with you. I think the administrative departments should make a policy for their work. It is too haphazard now.

Mr. GARNER. Is it not a fact that the President of the United States and his Cabinet are responsible for every item in that budget now? You can not get one item to Congress unless it is sent to the Speaker of the House through the Secretary of the Treasury, and yet you never hear any criticism of the President and his Cabinet because they ask for these things, but Congress is criticized because they give them what they ask for.

Mr. PRATT. But that Book of Estimates is not always authoritative in the sense of being critically examined by agents of the President.

Mr. GARNER. But none of these items can come from a bureau unless it meets the approval of the member of the Cabinet, and yet we hear this hue and cry about Congress and its extravagance, and I undertake to say that we always give the executive departments less than they ask for. Now, have you any suggestions as to how you can remedy that situation? You speak about making the President responsible. He is responsible now through his Cabinet members if they are abusing the privilege or duty they have of sending estimates to Congress for things that are overlapping.

Mr. PRATT. You remember Mr. Taft tried to do that when he was President, and Congress would not accept his recommendations.

Mr. GARNER. You are speaking of the Commission on Economy and Efficiency?

Mr. PRATT. No; he took that Book of Estimates and tried to pare it down, and Congress paid no attention to it.

Mr. GARNER. Now, with reference to Mr. Taft's Efficiency Commission; you referred to that; that was appointed afterwards?

Mr. PRATT. That was appointed afterwards.

Mr. GARNER. You say Mr. Taft undertook to establish a budget?

Mr. PRATT. I understood he did.

Mr. GARNER. Do you know that the estimates prepared by Mr. Taft's Cabinet officers were largely cut down by Congress? I ask you if he did not have the power—he had nine men around his Cabinet table, did he not have power to say, "I want you to reduce that and that and send that over." Do you know that Congress reduced them after they sent them over?

Mr. PRATT. That is why I think if you put a duty on the President to sign a bill prepared by a body of men who had been getting up a consolidated statement on expenditures you would have a very much more accurate than you have now.



Mr. GARNER. I think some good can come out of having somebody preparing these estimates and submitting them to the President and making him responsible for them.

Mr. PRATT. That is what I mean.

Mr. GARNER. But the estimating committee, you would have no control over them, and they would have no more detail of the Government, or a better idea than the appropriations.

Mr. CAMPBELL. Mr. Pratt, there is a difference of opinion now between the executive and the legislative departments of the Government as to whether we shall have a standing army of 509,000 men or whether we shall have a smaller army. That is a matter of policy. Where would your budget committee function in that matter? There is a matter that involves an expenditure of \$500,000,000 to \$750,000,000.

Mr. PRATT. In preparing the budget for the President to sign the estimates of the War Department would have to contain an estimate by the Secretary, an estimate of \$500,000,000 or \$750,000,000, to support an army of 509,000; that would have to be signed by the Secretary of War.

Mr. CAMPBELL. The request is signed by the Secretary of War and it is now before Congress.

Mr. PRATT. It is; that is the second step. My idea is you have to fix responsibility in the first place on the President, and in settling that question he would have to settle the question of policy raised by the items asked by the various departments. Now, the next step is what Congress should do. They look at that and say that there is a question of public policy involved on any or all of the items, so it is their responsibility to compare the estimates of the President and say whether we shall have an Army of 509,000 men or a million men. Now, is that the policy of the country as represented by the Congress or not? It is the policy of the President, because it is signed by the President.

Mr. TEMPLE. That is, the policy of the President would go into the estimates and the policy of the Congress into an appropriation bill?

Mr. PRATT. Yes, sir.

Mr. GARNER. Where does the budget staff function? Why could not we simply put in one clause requiring the President to sign the estimates and send them to Congress? Some articles that I have been reading about the budget staff had some suggestions that I thought were very good, in that such an organization would be able to advise the President and the various Cabinet members about the estimate. As I understand Mr. Pratt, he does not mean that at all; he means simply to advise the President—

Mr. PRATT (interposing). Oh, no.

Mr. GARNER. Would you undertake to say to the President after the Secretary of War had asked for 509,000 men and \$500,000,000, "Mr. President, we think that is too large." You have got to submit it either with comment or without comment.

Mr. PRATT. In the Army it is purely a question of public policy. That is entirely a different proposition from a financial policy.

Mr. GARNER. I challenged you a moment ago to name one appropriation or expenditure that does not involve a public policy. If a

public policy is not involved, and you submit it to the President, I do not see where you function.

Mr. PRATT. I illustrated a moment ago with the Agricultural Department, where he recommended \$400,000 and the President thinks that \$200,000 is enough; he had asked for \$400,000.

Mr. GARNER. But you take the matter of a recommendation for salaries of postal clerks; you recommend a certain salary; you investigate, and think it is too much. Are you going to recommend to the President that it be cut down to a certain amount?

Mr. PRATT. Yes, sir.

Mr. GARNER. That is a public policy; it is a public policy whether you should pay \$1,200 or \$1,500 to the postal clerks. And I challenge you now to name a single appropriation that Congress may make that is not a question of public policy.

Mr. PRATT. Assuming—and I am not trying now to verify it—that you have five departments doing the same thing. It is a question of public policy which one of those shall go on doing the thing which overlapping bureaus are doing. The budget committee would gather together those things and say to the President, “Here is a question of public policy involved, the question of taking care of this work; do you want one department, say, to take care of it, or do you want to keep on going with the five departments?” But that kind of a question is very different from a question of whether we shall spend \$750,000,000 to maintain an Army of 509,000 men.

Mr. GARNER. A few days ago Congress appropriated about \$40,000,000 increase for this year's service of the postal employees. Now, if the estimate had come in from the department would your budget staff advise the committee whether that was advisable or not?

Mr. PRATT. My budget committee would start out with an estimate for the President to sign, and estimate of income of so many millions of dollars, and so much expenditure. When it is introduced it would be as accurate an estimate of the receipts and expenditures which come before Congress as possible.

Mr. TEMPLE. Let me read to you the requirements of the law as it stands now:

All annual estimates for the public service shall be submitted to Congress through the Secretary of the Treasury, and shall be included in the Book of Estimates prepared under his direction.

The Secretary of the Treasury shall each year prepare and submit in his annual report to Congress estimates of the public revenue and the public expenditures for the fiscal year current, and also for the fiscal year next ensuing at the time said report is submitted, together with a statement of the receipts and expenditures of the Government, for the preceding completed fiscal year.

That is in the act of February 26, 1908. And then in the act of March 4, 1909, is the following:

Immediately upon the receipt of the regular annual estimates of appropriations needed for the various branches of the Government, it shall be the duty of the Secretary of the Treasury to estimate as nearly as may be the revenues of the Government for the ensuing fiscal year, and if the estimates for appropriations, including the estimated amount necessary to meet all continuing and permanent appropriations, shall exceed the estimated revenues, the Secretary of the Treasury shall transmit the estimates to Congress as heretofore required by law and at once transmit a detailed statement of all of said estimates to the President, to the end that he may, in giving Congress information of the state of the Union, and in recommending to their consideration such

measures as he may judge necessary, advise the Congress how, in his judgment, the estimated appropriations could with least injury to the public service be reduced so as to bring the appropriations within the estimated revenues, or, if such reduction be not, in his judgment, practicable without undue injury to the public service, that he may recommend to Congress such loans or new taxes as may be necessary to cover the deficiency.

It is the duty of the President in giving to Congress information of the state of the Union and in recommending to their consideration such measures as he may judge necessary, to advise how, in his judgment, the estimated appropriations could with least injury to the public service be reduced so as to bring the appropriation within the estimated revenues; the estimated appropriations in the Book of Estimates; that is the duty of the President now under the law. That is in the act of March 4, 1909.

Mr. TEMPLE. That is when Mr. Taft came into office.

Mr. TINKHAM. Has it ever been complied with?

Mr. PRATT. The power is there, I admit, but your budget staff would be the body which would carry out that provision under the obligation to prepare the budget.

Mr. TEMPLE. The President has never complained that he did not have the power.

Mr. PRATT. I thought President Taft had complained that he did not have the proper machinery.

Mr. TEMPLE. That is in the act of March 4, 1909.

Mr. PRATT. Yes.

Mr. CAMPBELL. He had his Cabinet, and when the Treasury Department makes the estimate, he can say to one Cabinet member, "You cut out this item," and to another Secretary, "You cut out this item and bring the total estimate within the revenues."

Mr. TEMPLE. The statement has been made here several times that there is no effort to obtain an estimate of expenditures balanced against the revenues; the man that makes such a statement does not know what the law is.

The CHAIRMAN. Mr. recollection is that no President has ever made a request for the machinery. It is true that he has not the machinery. And the only attempt I can recall to comply with that provision was one attempt by President Taft, wherein he simply recommended a flat horizontal reduction, which was, of course, unscientific and would have done injury to certain of the services of the Government if literally complied with.

I think the plan you have outlined is based on an erroneous conception of the way estimates are made as well as the treatment of them by Congress. Your plan would indicate that in the making of estimates and of the appropriations of money by Congress the political element is an inherent and controlling one. Ten years' service on the Committee on Appropriations leads me to conclude that the estimates and the appropriations made by Congress which are controlled by political consideration are negligible in amount.

Mr. PRATT. Well, I made the statement, Mr. Good, as I remember it, that I thought about 75 per cent of appropriations are what I called running the Government, which is not a political proposition, except as you indicate through the appropriations. There is public opinion and public policy back of it. But, generally speaking, the most of your appropriations are for carrying on the administrative

affairs of the Government, and the political influences are few in amount. But, like the river and harbor bills and the Army and Navy bills, there are matters which are distinctly and absolutely questions of public policy.

The CHAIRMAN. If I were to make a rough estimate of the appropriations that are actuated or controlled at all by political considerations, I would say that not 1 per cent of them has any party consideration at all. I do not recall now a single instance during my work on the Committee on Appropriations when the party lines were drawn. I think the situation is just contrary to what the public has in mind with regard to political considerations. Each party in power desires to make a record for economy; that is, not to appropriate money where any large amount of it is to be wasted or squandered. Now, I know that is true so far as the Committee on Appropriations is concerned. I am not familiar with the details of the estimates that go to the other committees in a minute way, but so far as the work of the Committee on Appropriations is concerned its work has been without political bias; and if that is the case, then it would seem to me that your plan proceeds on a theory to correct an abuse that does not exist.

Mr. PRATT. I think quite the contrary, Mr. Good. If you say 99 per cent of the appropriations are nonpolitical, then what is the objection and why is it not the wise thing on the whole to do to create a budget staff of business men who would have no political considerations whatever; who would study the problem as a business problem?

The CHAIRMAN. That is true. It should be studied as a business problem; but if the President is to be responsible, why tie his hands by making it political, by putting on the staff persons who were opposed to him politically or opposed to him as to a system of finance, and tie his hands, and make political a system that is not political; that is now nonpolitical?

Mr. PRATT. I don't see how you could do it if you had five business men whose job is to take this whole question and boil it down to a business basis and put it up to the President to sign and up to Congress to work on. I did not realize the per cent was 99.

The CHAIRMAN. It is almost negligible, I may say, from the investigation and study I have given the problem. And if that is the case, then why attempt to correct an abuse that does not exist?

Mr. PRATT. I am not. If a large percentage of the expenditure of Government money is purely business, which would be indicated by the fact that 99 per cent is nonpolitical, then the way to get that on a business basis is to get business men to look it over and have a non-political staff.

Mr. GARNER. What qualifications would you have for the members of your budget staff?

Mr. PRATT. I would get the very best men I could.

Mr. GARNER. But we have to write a law here; would you write that law, that the President shall put on the five best men that he can find?

Mr. PRATT. No; I would say a salary of, say, \$7,000 or \$8,000 or \$9,000; which would command good men.

Mr. GARNER. Let me get the details then. The President is authorized to appoint five men at a salary of \$10,000 each; is that the limitation?

Mr. PRATT. Yes, sir.

Mr. GARNER. You would not say that not more than three of them shall be of one political party?

Mr. PRATT. The difference between bipartisan staff and a nonpolitical staff makes no difference to me.

Mr. GARNER. You would simply provide that he appoint five members at \$10,000 each?

Mr. PRATT. Yes, sir.

Mr. GARNER. Some for five years or six years each, and some for six or seven years each?

Mr. PRATT. Yes, sir.

Mr. BYRNS. You spoke of a budget staff which, as you expressed it, would be directly responsible to the President. I am frank to say I fail to see how there would be direct responsibility to the President if he had no power over them; if he inherited them from some other administration, there would be lacking that direct responsibility to the President and the right of control in carrying out the policies that he desired.

Mr. PRATT. No; that is not the way the Government functions. Take your Army; they are all permanent. The new Secretary of War comes in and he wants to enforce a new policy——

Mr. BYRNS. But the Army staff has no final authority or power to express its opinions or take any action with reference to appropriations for the Army.

Mr. PRATT. The point I make is that when the new President comes in and finds the budget staff in existence, he can do with that staff what the Secretary of War does, or the Secretary of the Navy does in carrying out his policy.

The CHAIRMAN. Suppose we enact this law and the President appoints a staff of nonpolitical or bipartisan members, a staff of five persons; and he would feel that he ought to socialize the industries in the United States and would select as a member of that staff a man who was prominent in the labor organizations of the country; he would appoint another man who was in favor of extending these paternal agencies which were in existence during the war for peace times; he would appoint another man that would feel that the Government arsenal employees and the Navy Yard employees were not at all paid like they ought to be paid, and this staff of men who were entirely in favor of socializing industry would prepare a budget along that line, and then you elect another President—what would he do with that kind of a staff? If you were elected President, what would you do with that kind of a budget?

Mr. PRATT. These things are all going to function through the existing departments of the Government. If I were President, I would put in a Secretary of Labor and say to him, "I do not believe in the socialization of the industries of the country; omit from your budget estimates any item that your bureaus submit to carry out that policy."

The CHAIRMAN. The budget staff is going to be a big organization, to finance the Government, and like the Supreme Court of the



United States, independent of all things, and that staff thus created lays down a budget for the President to sign based on those principles; what would you do with it?

Mr. PRATT. I do not want that kind of a staff.

The CHAIRMAN. Of course, you do not want it; and almost any President that is elected would say, "I do not want this sort of a staff, but the Congress has forced it on me; what shall I do with it"?

\*Mr. PRATT. In your bill, you create——

The CHAIRMAN (interposing). But let us keep in mind that this is an independent staff, uninfluenced by any political considerations, or the policy of men; they work this policy out, as I understand you, on business principles, irrespective of party platforms or the principles the President advocated in his election.

Mr. PURNELL. It seems to me, Mr. Pratt, you can not very well strike any middle ground in your plan; you have to make the members of your staff appointed for life under a civil service program, or make them appointed by each successive administration, in order to get results—in order to avoid this very thing that seems so objectionable.

Mr. PRATT. I do not conceive the budget staff the way some of you gentlemen do. My feeling is this: That Book of Estimates, to make that a real estimate of what is needed, requires one or two things. It requires, first, somebody who knows about figures; second, somebody who will ask these bureau chiefs about their policies; what they are trying to do. And where you find them overlapping to try to straighten those things out to save money. It can be done only by men who are familiar with financial affairs and business administration and who can analyze the policies which those bureau chiefs are trying to carry out. Now, if they haven't any policy, it is high time they had one. You never will get it unless you get it through the pressure that comes directly from the President, and force the individual bureau chiefs to say yes or no to questions of policy. That is what I mean by a business administration of the finances, and you have got to have a continuous body to do that.

Mr. TEMPLE. Is it your belief that most of these bureaus have no policy now?

Mr. PRATT. I think so. I have been in a bureau of the Department of Labor for six months, and there was a policy there which the Department of Labor agreed to, and we took it up for an appropriation. Of course, that was during the war when it was difficult to pass a permanent policy.

Mr. TEMPLE. That was a temporary board, of course; but the permanent boards are well fixed, it seems to me. But always there will be new kinds of service, and there will be questions of policy.

Mr. PRATT. But there is no coordinating influence.

Mr. TEMPLE. I think that is the trouble rather than a lack of policy.

Mr. PRATT. The budget staff would coordinate the policy and define it.

Mr. TEMPLE. Would the budget staff have the power to reorganize functions?

Mr. PRATT. I would only give authority to suggest; and then if you went to an individual officer, and if you found that two departments were overlapping, you could get them together and find out

which one should carry on that particular work. And you can not do that without somebody working on the job all the time.

Mr. TEMPLE. There are a good many engineering bureaus—the Road Building Service, the Army, the Reclamation Service, and others.

Mr. PRATT. And who is going to get those together unless you get a staff who will bring them together for the President, who is the final authority?

Mr. TEMPLE. I am convinced that any authority, even this Book of Estimates, properly classified would have the immediate effect of exposing those overlappings. The educational bureaus in many of the departments should be coordinated.

Mr. PRATT. The overlappings would be exposed by the budget staff, and if the tact of the staff could not remedy the situation the matter would be referred to the President.

Mr. PURNELL. What would the President do, if they are responsible to him and they do not do what he wants done; how will he have recourse on them?

Mr. PRATT. Just exactly as you do if you give an order to a man and he does not do it.

Mr. PURNELL. You could not discharge them.

Mr. PRATT. You could not discharge a man for not doing his duty?

Mr. GARNER. The President can not discharge him. Are you going to provide that the President may discharge them?

Mr. PRATT. In my conception of the budget staff it is in the control of the President, and that control is the same as in private employment.

Mr. BYRNS. You can not do that unless he has the right to discharge.

Mr. PRATT. If you can not discharge a man for cause when he fails to do what his superior officer tells him to do, something is wrong.

Mr. BYRNS. Then it is not a permanent staff.

Mr. PRATT. You take your Federal Trade Board under the Secretary of the Treasury; they are supposed to be independent, but if he gives an order and they do not carry it out, can they be removed? I think they ought to be.

Mr. TAYLOR. I do not think they can. They are appointed for six years.

Mr. PRATT. Would not that be cause?

Mr. PURCELL. They might have a difference of opinion and they might both be equally honest, and that question involves a question of policy.

Mr. PRATT. But the President has a perfect right in my scheme, assuming that you gentleman are right and that he can not get rid of the budget staff, he can at least strike out items before he signs the budget. He can have a clerk rewrite it before he signs it. But my idea of the budget staff is that they are to put into business form such things as the President wants to have. And if it is subject to political influence by the President by putting in an Army post which the Army staff does not want, then I want the right in Congress to examine the budget staff.

Mr. PURNELL. After all, do you regard this question of political influence as a dangerous one, considering that the President at least

is presumed to want to conduct an economical and businesslike administration, and that he in fact would choose men with that idea in view?

Mr. PRATT. I think everybody in Washington is subject to political influence as a general proposition.

Mr. PURNELL. Well, but your board would not be.

Mr. PRATT. I would get them out as far as I could, but I can not prevent a President from saying to that board, "You put into that budget a provision for the continuation of that post at Cheyenne, or some other place, or the Mare Island Navy Yard." Irrespective of what anybody says, that is a conceivable thing, and the motive actuating the President might be political; just as Congress has undoubtedly been actuated by political motives at times. What I want to get done is to establish a system of Government along definite ideas. I do not believe that the river and harbor improvement act, for instance, is based upon a plan of national development, as it ought to be. You can not carry out all the work in any one year; you must have a comprehensive plan and that is what the Budget Staff would do, as I look at it.

Mr. TEMPLE. It ought to be a continuing policy?

Mr. PRATT. Yes, sir; and you must have someone to do that.

Mr. PURNELL. Your board's duties would be merely clerical?

Mr. PRATT. No.

Mr. PURNELL. It can not determine policies; the most they can do would be to go to the President and say, "What will be the policy concerning rivers and harbors," for instance, and then prepare their estimates after having learned the policy? They can not determine a policy.

Mr. PRATT. When it came to examining the estimates, the budget staff would say to the men preparing them, "What is your plan; what do you want to do?" and if they could not answer it by answering with a scheme for the development of the national waterways, I would go to the head of the department and say, "See here, this was put in without any plan, and we can not approve these estimates unless they are a part of a definite, comprehensive plan"; and if the department head refuses to back up the plan, they would go to the President and let him settle it.

The CHAIRMAN. I think we all agree as to the first fundamental—I say we all; at least a majority of the people who have studied the matter agree that if the President is to be made responsible for a budget, he must have the necessary machinery so as to make it function in an intelligent way, and in the final analysis say, "This is my budget; I stand for it." And the machinery that is given him for that is only one of the elements entering into the plan; isn't that true?

Mr. PRATT. Quite right.

Mr. GARNER. Now, could you take up the second step?

Mr. PRATT. The second step in the budgetary form is what Congress is going to do with the budget. Believing as I do that the most essential thing is to get these things into budgetary form, I think Congress should treat them as a whole; get the estimates and treat them as a whole. My suggestion is that a central committee be appointed. I think it is wise to refer to the committees for minute examination these estimates; the Military Affairs Committee

consider the estimates for the War Department, and the Agricultural Department consider the estimates for that department, and the other committees consider the various estimates and make their examinations and then have them brought together, so that the whole budget for the Congress could be considered together. That committee ought to have on it members of the Ways and Means Committee, for you must know how much money you can spend, and that is what the Ways and Means Committee is concerned in.

Mr. TEMPLE. Pardon me; isn't there another point there? How much service are you going to perform, and then how much money for that work?

Mr. PRATT. That is a perfectly legitimate question, sir, and probably you and I will disagree. My idea is how much will the people stand, and how much will we get in the way of revenue.

Mr. TEMPLE. I think we could do with less than they would stand, if we give service.

Mr. PRATT. Your policies for revenue are set out on the revenue side; for expenditures they are set out on the appropriation side. You have the Ways and Means Committee, members of that committee, reporting to the House, as they are concerned with the revenues.

Mr. TEMPLE. Now, in reference to the Army, if it is to be 509,000 men—before the war it was 125,000—would you start with fixing the Army and then raising the revenue? We are not going to have the biggest Army we can pay for.

Mr. PRATT. Either way it goes in the House you should have the budget suggested by the committees who are responsible for those things. And the members of the Ways and Means Committee are responsible for the revenue. I think the committee should make a report in parallel columns showing what they thought as to the President's budget. I think also, then, they ought to report one appropriation bill showing the estimates, and then the House should sit as a committee of the whole——

Mr. PURNELL (interposing). Do you mean to get the budget through as a single measure?

Mr. PRATT. That is a matter of parliamentary tactics.

Mr. PURNELL. I understood you to say that.

Mr. PRATT. Oh, no; the scheme is to take separate votes. The bill is put in all at one time. In other words, there is the financial plan of the Government, then it is interpreted by the Congress; there is the problem for the Members of the House to vote upon. It ought to go through as a whole, whether it had a thousand appropriation bills or one appropriation bill; but the whole appropriation should be considered as one thing.

The CHAIRMAN. You have made a suggestion that is a contribution to the thought on this subject. It is new so far as having been presented to the committee by anybody else. If I understand your plan it would be something like this: That when the budget comes to Congress it would be subdivided and the various appropriating committees having jurisdiction of those appropriations would take the various services and make a detailed examination such as now made, or similar to that which is now made by those committees, and then those committees would make their report to another big committee

of the House, which would report the entire appropriation bill or budget back to the House for consideration at one time; that is the idea?

Mr. PRATT. Yes; to utilize the existing committees in Congress.

The CHAIRMAN. And the creation of another committee?

Mr. PRATT. One central committee, to gather together these things.

Mr. HAWLEY. Would you allow the central committee to change particular items?

Mr. PRATT. What I think would happen is this: The President wants for the Army \$200,000,000; suppose the Military Affairs Committee thinks it should be \$500,000,000; there is an increase of \$300,000,000 over the President's estimate; your expenditure committee has increased it \$300,000,000. Now, it is up to the central committee as a national policy what do with that; they may say, "We will not go before the people and before the House with an increased estimate of \$300,000,000."

Mr. HAWLEY. You would give this central committee a right to revise their reports; the reports of the other committees?

Mr. PRATT. Yes, sir.

Mr. GARNER. Who would compose this central committee?

Mr. PRATT. I liked Mr. Willoughby's plan, that you should have on this committee the chairman and ranking member of the opposition of the various committees. I am on the Military Affairs Committee——

Mr. HAWLEY (interposing). That might not work having the ranking members of the large committees and the ranking member of the majority and the ranking member of the minority.

Mr. TAYLOR. Wouldn't they get together and abuse the other appropriations?

Mr. PRATT. I had not considered the personnel of the main committee. What I had in mind is that all Members of Congress should feel that the appropriations are examined by some of their own members. And that would be furnished to them. Now, that must be brought together in one report of a House committee. I do not know how you could do that, whether the Appropriations Committee or the Ways and Means Committee combined should do that, or what you would do. The important thing to accomplish is to get a committee that will consider these reports which express the individual beliefs of the committees, and combine them in one report, and in comparison with the President's budget.

Mr. BYRNS. What authority would the House have for making that report?

Mr. PRATT. I would give the central committee the authority to prepare, in parallel columns, a report for the consideration of the House as a committee of the whole, showing what they thought in comparison with the President's budget.

Mr. HAWLEY. Then, could the House change that, or must they accept the report of the committee?

Mr. PRATT. That is the next question for consideration. My own thought is that the House should not have the power to add to the President's budget, except by a two-thirds vote. I want the country to know whether it is the Congress's or the President's ideas that control.



Mr. GARNER. Suppose the Military Affairs Committee should report that they want \$500,000,000 instead of \$300,000,000 as estimated by the President; suppose a central committee should adopt a policy and ask for \$700,000,000 in place of \$500,000,000; who is to defend the three propositions on the floor of the House?

Mr. PRATT. A Member from each committee, I suppose, would do that.

Mr. GARNER. Now, you have a conflict. You have Members coming out of the central committee with one proposition; and you have another Member coming from another committee with another proposition; and you have still another Member coming from another committee with another proposition; and yet somebody has to defend that on the floor of the House—at least that is the custom here, and I think it is a wise one, that somebody must take care of these matters on the floor. Now, you have men with conflicting views, and you do not come out of the committee with a unanimous report.

Mr. PRATT. I suppose what would happen is this: This central committee would come with its report, which might disagree with the recommendations of some of the examining committee. Then the chairman, or some member of the committee, would state the point of view of this committee, and the point of view of the central committee, and raise the issue in that way.

Mr. GARNER. Would you have two-thirds of the committee of the whole to amend the report; you say two-thirds?

Mr. PRATT. I would make a two-thirds vote necessary to make any increase in the President's budget.

Mr. GARNER. In other words, under your scheme, the majority of the Members could not determine the policy of the country, but it would take two-thirds of them to determine the policy.

Mr. PRATT. Yes; from the——

Mr. GARNER (interposing). Then you have no longer government by majority.

Mr. HAWLEY. Would you make that apply both to revenue and expenditures?

Mr. PRATT. Yes; my whole theory of this things is that your budget staff is going to do a good job and justify 90 per cent of their ideas, and that there will be very little difference between the budget staff and the House. If what Mr. Good said is true, that 99 per cent of your appropriations are for conducting the Government; and you have business men to study that, it seems to me their report is going to satisfy you gentlemen that it is the right thing to do.

Mr. BYRNS. Going back to the idea of the central committee to report to the Appropriations Committee and the Committee of the Whole, is that central committee going to get the information, say, that the Naval Affairs Committee has gotten in allowing the items or that the Military Affairs Committee has?

Mr. PRATT. The only idea in bringing it together is this: Each committee will have studied the details of a particular part of the budget. Your Military Affairs Committee would look at the budget solely from the standpoint of what it does, namely, the operations of the War Department. Now, before the House passes these recommendations you have to tie them up with the recommendations of every other department.

Mr. BYRNS. That is true, but my question is, How could the whole committee determine that the Military Affairs Committee or the Indian Affairs Committee or any other committee has taken an incorrect view without going over the matter the same as the other committee has done?

Mr. PRATT. As I look at it, it would come to one or two points. The committee estimates its increase and that raises a question of public policy, and the Military Affairs Committee should be able to justify every position with the central committee before going to the House.

Mr. BYRNS. That is true in a broad sense as to the number of men to be provided for, but when you come to the details, the Military Affairs Committee, if it should decide there should be a 60-cent ration, for instance, and make an appropriation on that basis?

Mr. PRATT. I think that if the Military Affairs Committee and the President differed you could accept the idea of the Military Affairs Committee on the question of rations.

Mr. BYRNS. That is just one detail; there are hundreds of details that go to make up an appropriation bill.

Mr. GARNER. Suppose one item should be \$50,000,000 for aeroplanes?

Mr. PRATT. You like to get into controverted questions.

Mr. GARNER. These are questions that will come up; if you get into the House, you will find these matters will come up. Now, the Military Affairs Committee decided that \$50,000,000 is to go for aeroplanes and the other committee might say it should be \$30,000,000.

Mr. PRATT. You are getting at it wrong. The President's item would say \$15,000,000, and if the Military Affairs Committee disagreed it will show in their report; the central committee will know. There is \$15,000,000 and \$30,000,000, and you have got to go to the central committee. It is a question of public policy.

Mr. GARNER. In other words, you would have the Ways and Means Committee tell them whether they can get that much money?

Mr. PRATT. No; the idea of revenue is based on a tax rate and the money that would come from the customs. If each of those committees wants some money, then they go over those things that are estimated in the President's budget, and if there is a difference in the sum total, that is where the central committee comes in.

Mr. GARNER. Let us illustrate it a little further. The President sends in a budget and that budget takes \$250,000,000 more money than is provided by law; would you refer that to the Ways and Means Committee?

Mr. PRATT. You mean the President's budget?

Mr. GARNER. Yes.

Mr. PRATT. Oh, no.

Mr. GARNER. What would you have the Ways and Means Committee do?

Mr. PRATT. What they do now; work out how to get the money.

The CHAIRMAN. If I understand you correctly, this suggestion is to enable Congress to see the picture before the appropriations are made.

Mr. PRATT. Before the discussion of the appropriations comes up.

The CHAIRMAN. Yes. And under the present plan in effect no

one knows what the total of appropriations will be until the last appropriation bill is enacted. This would enable you, as I understand it, and is offered in order to enable Congress to see the problems all at once in a financial way. Congress knows the total of the estimates, but as in the last appropriation bills for this fiscal year the difference between estimates and the estimated revenue is about a billion and a half dollars. For a period of 20 years, ending with 1916, there has only been two fiscal years where the amount appropriated exceeded the estimates, and in that 20 years the amount appropriated was about \$550,000,000 less than the amount estimated. Now, as I understand your proposition, it is to enable Congress when it is considering the appropriation bills or the budget to know how much is presented as the financial obligations of the Government for the next fiscal year?

Mr. PRATT. Yes, sir.

The CHAIRMAN. And I can see the advantages of it. I was wondering if at the same time it was your thought that Congress ought to attach to that appropriation bill as a part of it, or the budget, any bill or provision that would increase the taxes or authorize the issuance of bonds if the total carried in the bill of appropriations exceeded the anticipated revenue, and if at the same time, if the amounts carried in the bill for appropriations was considerably less than the anticipated revenue, that the bill would also carry a provision reducing the tax or providing for a payment on the national debt?

Mr. PRATT. Yes; by my theory the report of a single committee would cover both the revenues and expenditures.

The CHAIRMAN. So that when the bill came out it would cover the entire program?

Mr. PRATT. Yes, sir; the entire financial program.

The CHAIRMAN. The situation that suggests itself to my mind—and I would be very glad to hear from you with regard to it—is that while it is true that there is very little, if any, politics in the appropriation bills, the revenue is usually a political measure on which the parties divide. The question of increasing the tariff duties or decreasing them is one that would be likely to cause Congress to divide almost exactly on political lines, and the question in my mind is whether or not the bringing in the element that we know is fraught with political discussions and one upon which parties will almost always divide is advisable.

Mr. PRATT. That is where I differ from you on the method of approach. My theory is that we ought to approach national finance from the standpoint of how much we ought to spend rather than the standpoint of the service to be rendered, because you are bound to have, within reasonable limits, a continuation of the present governmental policies.

Mr. TEMPLE. Do you think that would work with regard to an army; to determine first how much you are going to spend on the army, then after that figure how big it is going to be?

Mr. PRATT. No.

Mr. TEMPLE. Some other nation might have something to say about that.

Mr. PRATT. I was talking only in general terms. That is something you can not foretell, and if you get up against a proposition

of that kind, you have to find the money for the proposition. The great bulk of the appropriations are for things that are pretty well settled by custom, habit, and prestige, and those are the things that should be looked at from the standpoint of the money to be expended rather than from the standpoint of service rendered.

Mr. TEMPLE. It might be wise to put the other into another appropriation bill.

Mr. PRATT. To answer specifically the question Mr. Good has raised, if, either from the standpoint of the service rendered or the amount of money to be raised, you did get into a political question of raising revenues, you have got to settle that, before or after, or in conjunction with the settling of your appropriation bill. If you put in the appropriation bill first without your revenue bill, and then settle the question that you are going to spend four billion dollars in these various votes that you pass, and put off until later the controversial point of whether you are going to raise the revenue by an income tax or by the tariff, it is six of one and half a dozen of the other. I would rather take them up at the same time. I would rather have the central committee advocate measures to raise the amount of money which they recommend to be expended.

The CHAIRMAN. The only thing that bothers me is this, Mr. Pratt. Suppose we find that the central committee agrees upon a program of national expenditure which exceeds by \$300,000,000 the anticipated revenue for the next year. A majority of the committee, we will say, is composed of Republicans and they decide upon an increase in tariff duties that will bring in \$300,000,000 additional revenue. Every Democrat on the central committee, or in Congress, practically, will then commence to oppose an increase of tariff duties. There are two methods open to him. First, to fight the appropriation and seek to reduce the items of the appropriation. Second, to strike out the provision in regard to the tariff. Failing in both, they will vote against the appropriation bill, or the budget, when as a matter of fact they would vote for the expenditure, knowing that it is needed, but because of their political convictions they would feel that they were compelled to vote against the whole bill because it carried something that was contrary to their political belief. It seems to me that, if possible, appropriation bills should be kept out of political controversy from the beginning of the hearing until the bill is finally concluded. Is it your thought that the bringing in of a revenue measure at the same time as the appropriation bill would not magnify those differences, and would it not be better to leave to subsequent consideration by Congress a bill that had nothing to do with the appropriations except to provide the money with which the expenditures could be met?

Mr. PRATT. My theory, Mr. Good, is this: The question is presented before Congress, and you are asked to vote \$4,000,000,000. Why do you not have a minority report on the subject of revenue raising if you have a difference of opinion between the Democratic and Republican members of the committee. That is, if you agree that the expenditures are going to be \$4,000,000,000 and that you have got to raise that amount either by tariff or income tax. Suppose there is a split in the committee as to whether the revenues are to be raised by an income tax or by increased tariff duties. You could take the ma-

majority report and the minority report on the subject in order that both sides might be brought out and considered at the same time, so long as you do not destroy the picture of the income and expenditures when the matter comes before the House, which is the important thing to do.

Mr. GARNER. Let me show you the practical effect of that proposition. We must all run for Congress every two years and be re-commissioned. A Democrat will come along and say that the central committee under the Republican régime in the House has reported a bill, and we will have to raise \$300,000,000 more money in order to meet the expenditures approved by the budget committee and the various committees under the central committee. Mr. Good and his side would advocate raising the revenues in this way and gentlemen on the Democratic side would advocate raising it in that way. They go into the House and make a majority report. The Republican majority puts it through with the majority of the central committee and these Democrats vote against it. The Democrats go before their constituents and attack not only the provisions of the revenue legislation but attack the entire action of the majority. In other words, you would find the Democrats attacking not only the revenue measure but the entire budget.

Mr. PRATT. Now, I am not speaking personally, but I believe no Democrat ought to vote against the expenditure of the money that he agrees to or that he approves of merely because the money is raised in a way that he does not approve of.

Mr. GARNER. But when you have in one bill two measures, one of which you want to vote for and the other you want to vote against, you have got to vote either yes or no on the whole bill.

Mr. PRATT. I did not have in mind a single bill. I mean to have the report on the two bills before the House at the same time. The central committee should report a revenue bill and an appropriation bill at the same time, but in separate bills.

Mr. GARNER. I did not understand it that way.

Mr. HAWLEY. When the President submits his budget you would have him also submit a revenue estimate?

Mr. PRATT. Yes, sir; he must make up his revenue account. The report of the Secretary of the Treasury would show what was raised in revenue last year and the year before, and the President would make his recommendations based upon those figures.

Mr. HAWLEY. Would he make recommendations as to specific rates of tariff?

Mr. PRATT. No, sir; he would make the general recommendation as to how much was to be raised.

Mr. HAWLEY. And leave the nature of the taxation entirely to Congress?

Mr. PRATT. That is my idea; yes, sir.

Mr. TEMPLE. Under existing law, Mr. Hawley, he may recommend to Congress such loans or new taxes as may be necessary to cover the deficiency.

Mr. HAWLEY. Yes. I thought that if the President recommended rates of tariff and then the proposition went on the floor of the House, and only a two-thirds vote could change those proposals, if the House happened to disagree with the President, that that process would be entirely unworkable because no political party is going to surrender its public policies.



Mr. PRATT. I suppose what would happen would be this——

Mr. HAWLEY (interposing). You do not have in mind the President recommending any definite rates?

Mr. PRATT. No, sir.

Mr. HAWLEY. Then that question would not be raised?

Mr. PRATT. I think if we have expenditures amounting to two or three billion dollars more than we had last year and the money would have to be raised by the sale of bonds, or by an income tax, the President would have to make recommendations in respect to the means he suggested employing.

Mr. HAWLEY. It would depend upon the President.

Mr. PRATT. Yes, sir.

Mr. GARNER. For the last 10 years the President has had the authority to do that very thing. In other words, that authority has existed in the law since March 4, 1909, and has been complied with once, I believe, up to date, and I suggest, with all due deference, that if you could suggest the plan to the Executive and get him to adopt that plan, he has ample authority to do so. That is as to the first part of the question. Now, as to the method that Congress should adopt, that is another question; but the President has the power and machinery now to do the very thing that you suggest, because he has members of the Cabinet whose duty it is to carry out his suggestions.

Mr. HAWLEY. I have read very widely on the subject of the budget for several years, and I have been impressed with the fact that all the writers have omitted one point in their discussions of the budget, and that is the practical situation in Congress under a party Government.

Mr. TEMPLE. Or in any legislative body?

Mr. HAWLEY. Yes, sir.

Mr. TAYLOR. Is it not true that most of the writers on the subject of the budget have never been Members of Congress and have no actual, practical, political sense like the men who have to confront their constituents every two years and who have to realize human nature as we find it?

Mr. GARNER. It is all based generally on a business proposition, forgetting entirely that this is a political form of Government, and politics has something to do with the action of Congress sometimes, and something to do with the action of the Executive.

The CHAIRMAN. Now, Mr. Pratt, you have a third stage.

Mr. PRATT. There is a third step which is based somewhat on the acceptance of the first two steps. I look at Congress in this way. I think it is the business of Congress to reflect public opinion, so far as finances are concerned, through the operation of a definite financial program submitted by the Executive and definitely acting upon it. I think Congress has made the mistake of limiting the action of the executive departments in the past, because they have not had sufficient confidence in them, and what Congress ought to do is to give much more leeway in their appropriation bills to the operations of the executive departments and then institute a system under which they can insistently, consistently, and carefully follow expenditures.

Mr. HAWLEY. You mean to give a greater scope to their authority?

Mr. PRATT. No. I mean I would appoint an auditor general who would look into the accounts purely from an accountant's standpoint, to see that the vouchers were properly executed, etc., and I would

have those committees who are supposed to follow the operations of the departments compelled to make a report annually to Congress.

Mr. GARNER. Are you not a little bit inconsistent in saying that you want Congress to represent public sentiment when you want it to take two-thirds of the House to express the sentiment of the people?

Mr. PRATT. I do not think so.

Mr. GARNER. You think it ought to have two-thirds to express the sentiment of the people of the United States?

Mr. PRATT. No, sir. I assume that the majority of your expenditures are purely business expenditures; that you have a staff of highly paid business experts who will try to get the value out of every dollar expended, and you have estimates coming to Congress that have been scrutinized carefully by business men. I do not think there is any question about that.

Mr. GARNER. Let us illustrate it in the War Department, if you please. After the central committee reports a bill in the House for an army of 605,000 men, we will say, suppose 60 per cent of Congress, or, to make it a little bit more, say 65 per cent of Congress, should favor an army of 509,000, would you still want two-thirds of the House to express the will of the country with reference to the size of the Army?

Mr. PRATT. I do not think any President is going to sign a budget which ties him down to an expression of public opinion without getting some idea from the Members of Congress as to what they think about it.

Mr. GARNER. That has not always been the case.

Mr. TEMPLE. That would be in the nature of a preliminary veto if it took two-thirds of the House to approve the recommendations, in the first place.

Mr. PRATT. Take the Army proposition, which is the concrete question you raise. What is the public opinion as to the Army? Who knows what it is? Now, if you fix the responsibility of the President for signing his name to the declaration of a policy for 509,000 men and that goes out to the country as his declaration of absolute judgment as to what his policy is, if Congress does not agree to it, it should say so.

Mr. GARNER. Mr. Pratt, there is no such thing as a permanent policy of the United States.

Mr. PRATT. There will be if the budget system goes through.

Mr. GARNER. No; there is no such thing, there never can be, and never ought to be one in this country, because every two years the lower House of Congress must be reelected, and the people themselves may change the policy of the Government. Take the Army proposition. It takes two-thirds to overrule the central committee's budget system and next Congress may have elected to it men who will overturn the policy of the preceding Congress, and yet you term that a permanent policy of Congress.

Mr. PRATT. No; you misunderstand me. I mean permanent in the sense that the President settles the policy for the next fiscal year. In that sense it is a permanent policy for the next fiscal year.

Mr. GARNER. Well, that is what I wanted to call your attention to, that in this country there is no such thing and can be no such thing as a permanent policy.

Mr. PRATT. You have a similar situation in the House. What is your vote going to be on the question of 509,000 men or 605,000 men?

Mr. HAWLEY. You mean a definite policy rather than a permanent policy?

Mr. PRATT. Yes, sir.

The CHAIRMAN. There has been a great deal of comment in the press in regard to giving members of the Cabinet a seat on the floor of the House. Do you think that is desirable?

Mr. TEMPLE. To defend their estimates.

Mr. PRATT. I think that would involve an entirely fundamental change in our form of Government. So far as the budget committee is concerned, I think the whole committee, the central committee, should call the members of the Cabinet before them.

The CHAIRMAN. The Appropriations Committees have that right now. Ten years ago when I first became a member of the Committee on Appropriations nearly every Cabinet official appeared before the committee with regard to his estimates. That custom has fallen into disuse, not because of the attitude of the committee or the desire of the committee, because the committee always communicates with the Secretary of the department whose estimates are under consideration, and he can come if he desires or send such experts or such of the officials under him as he may desire to speak for the appropriations. The thing that amazed me in the consideration of these estimates was the fact that for a number of years when the Cabinet members did come before the committee they knew very little about the estimates. The ignorance displayed by some Cabinet officers was surprising to the members of the committees before whom they have appeared with regard to the details of the estimates and with regard to the questions of policy. There are, without mentioning them, two members of the President's Cabinet at the present time who do know the details of their estimates. But if we should amend the law so as to permit them to come on the floor of the House I think it would have one beneficial effect, and only one, and that would be to explode some of the false standing that certain public officials have in the public mind.

Mr. GARNER. Under the Constitution the President has the right to select his own Cabinet. What do you think about the proposition of having the Cabinet members selected from the Members of the House and Senate?

Mr. PRATT. I would like to see it done, but that is my personal opinion only.

Mr. GARNER. To be frank with you, I would like to see it brought about.

Mr. PRATT. Answering Mr. Good's criticism, one reason why the Cabinet officers do not have the information that you want is because they have not had the realization that they are really responsible for the estimates which they submit. That is the general feeling. They know the practice up to date has been to put in everything they could possibly think of and then leave the estimates to you gentlemen to cut down. Now, if you get a budget staff that will operate as I believe this is going to operate, it would have a tendency to force the Cabinet officers when they signed their names to know what they are signing, and if they are

not the caliber of men to have that knowledge, that will be a question for you.

The CHAIRMAN. The Cabinet member ought to realize that that is his estimate. That estimate is not revised and can not be revised under the law by the Secretary of the Treasury. His office is simply an office of transmittal to Congress with no power to modify, enlarge, or add to, simply to transmit. Now, that being the case, it seems to me that a member of the President's Cabinet ought to realize that all responsibility for the estimates rests upon his shoulders and it ought to be an estimate that he is willing to swear by in every particular, because he is an administrative official. He is the man who must administer his department and his estimate in the first place ought to cover only those activities that his department is carrying on and it ought to be only for the amount required for those agencies to function in a healthy way. Of course, I realize the difficulty under this plan of each department wanting to grow and extend its activities in every direction. There is in no place, except in the office of the President, under a statute that has never been enforced, any power to coordinate or to wipe out these overlapping activities and duplications of service. Each member of the President's Cabinet wants to continue all the activities that he finds in his department when he comes into office, whether those activities are duplicated by other departments or not. He can, of course, eliminate the duplications in his own department, but he can not eliminate those in other departments unless he commenced by eliminating something in his own department because that activity is also carried on by another department of the Government.

Mr. PRATT. I have never been a Cabinet officer, Mr. Good, but I have talked a good deal with Mr. Stimson, and I think there are a good many difficulties that Cabinet officers have to run up against, both in the matter of bureau jealousies and in the matter of certain things that have been tied about their action by Congress. I feel that the budget staff will coordinate those things so that a new Cabinet officer coming into his department will know what the operations of his department are and how they are carried on. If you have a budget staff that knows what each activity is trying to do, the new secretary of the department would have a clear idea of what his duties were and how to carry them on.

The CHAIRMAN. What you say in regard to interference, if I can use the word, with Executive authority, is a problem which I can see might affect any legislation, but most of the legislation that has gone on the statute books which restricts an executive from doing a certain thing is the result of an attempt on the part of Congress to correct an abuse. Let me give you an example. In the last Congress telegrams were sent out to this effect, "Wire Congressman Sherley, chairman of the Committee on Appropriations, to favor an appropriation for the employment service." One day I saw on Mr. Sherley's desk a thousand or more telegrams that had come in from all over the country that showed on their face that they were stimulated from some central governmental source.

Mr. HAWLEY. Were the replies paid?

The CHAIRMAN. The replies were paid and I suppose paid out of an appropriation for their service, because a good many of them

came from Government agencies established throughout the country in regard to the employment service. Now, without expressing any opinion with regard to the value or lack of value of that service, the department was spending money in sending out telegrams to men to wire Congress in order to promote this legislation, when their opinion, when the wire came in, was not really the expression of an unbiased opinion, but was the result of propaganda established here in Washington. Therefore we put on the statute books a general law restricting anyone from spending a cent in sending out telegrams of that kind or using stenographers in any way to start that kind of backfire. The result is that Congress is now going about its deliberations and we are not receiving telegrams of that sort that are only annoying and do not give us any real substantial information. I mention that as only one illustration. I might go on and enumerate a great many pieces of legislation of that sort that became absolutely necessary to restrict an official from doing something that he really had no right to do, who was expending public money for a purpose that Congress never made the appropriation for.

Mr. PRATT. I do not mean to say anything about that particular illustration, because I do not know anything about it. Perhaps you are quite right in what you did. So far as the statutes now in force with regard to appropriations are concerned, there are certain steps set out that have to be followed and those steps were taken because of some particular instances that were brought to the attention of Congress. I think there are undoubtedly a great many existing statutes which limit the confines of the executive departments which should be changed if they could codify a system laid out for all the executive departments. I am not criticising what has been done, but I am simply stating that there are a great many things in our statutes that need codification and which I believe a budget staff would help to effect.

Mr. HAWLEY. Mr. Chairman, what proportion of the appropriations every year are due to the interlapping of activities in the different departments?

The CHAIRMAN. I think that would be impossible to estimate.

Mr. HAWLEY. Is it a large or a small amount?

The CHAIRMAN. That would be very difficult to estimate. In many cases there is an overlapping of activities, and yet the overlapping is not complete. It is not a complete overlapping, because one activity extends a little farther than the other; one involves a service that the other does not take care of, and just to what extent the appropriations are expended for duplication of services I think it would be impossible to state.

Mr. BYRNS. I think it is considerable, but when you speak of it in relation to a \$3,000,000,000 or \$4,000,000,000 appropriation it is almost negligible.

Mr. PRATT. The old Scotch adage of "a penny saved is a penny earned" would be applicable.

Mr. TINKHAM. It would be cumulative in several bills.

The CHAIRMAN. Have you concluded what you desire to say, Mr. Pratt?

Mr. PRATT. Yes, Mr. Good. Those three steps are the three points that our committee believes are very important in the consideration of this question.



The CHAIRMAN. Mr. Pratt, has your committee given serious consideration to the question of the control and audit of accounts?

Mr. PRATT. We have a very strong feeling upon that question, and I believe we reflect the view of the bureaus, that it would be very unwise to put any more difficulties in the way of the expenditure of money by the executive departments. Under Mr. Plumley's bill the executive departments would not have the right to expend money without the approval of the comptroller, which I think is very unwise. I think you ought to have a post audit, not to make necessary an approval before the actual money granted by Congress is expended by the executive department.

The CHAIRMAN. Unless Congress has some arm that can be used to furnish the information as to expenditures, the Committees on Appropriations will continue in the dark to some extent with regard to inefficiency in the service and duplications in the service. If the machinery that we provide in the creation of the budget is not effective, Congress is left practically without the machinery, assuming in an intelligent way the obligation that is passed to it when the budget comes before Congress for its consideration. It seems to me that any well-devised plan ought first to give the executive that makes the budget all the machinery that is necessary for him to make it so that when he does make it he can assume more responsibility for it, and when he transmits it to Congress, Congress, too, must have the machinery so that it can in an intelligent way assume the responsibility placed upon that body.

Mr. PRATT. That is what ought to be done; but as I understand the bill establishing a comptroller general, it means that before any department could expend the money granted by Congress it would have to have the approval of this agent of Congress, which I believe would greatly hamper administrative work. Now, I understand from people who have had experience in the administrative end of the Government that that would tie up and hamper very materially the operation of the Government.

The CHAIRMAN. The door of the Treasury, then, ought to be open to the head of every department to go in and get all the money he wanted. That is what he would like to have.

Mr. PRATT. Congress ought to handle this matter from the standpoint of finding out what has happened to the money that they have granted, but what I am complaining of is putting in a check before the actual expenditure of the money.

The CHAIRMAN. It often happens that that is just where you must put in the check, because, as Gov. Lowden said yesterday, if he is an efficient executive he wants to do all he can to have his department function in the broadest and most healthy way. Now, with that kind of an executive, if he finds an appropriation that might, with some little twist or strained construction of the law, be used for another purpose, he is going to twist it; he is going to get that strained construction if he can. Congress is the body that appropriates the money and yet it exercises no control over the expenditure of the appropriation. So that we have the executive, with all the officials appointed by the Executive, with the Comptroller of the Treasury subject to removal if he does not render decisions in accordance with the wish of the Executive, and the result is that Congress

is left absolutely helpless to know, first, whether the appropriation is being expended for the purpose for which it was appropriated, and, second, whether the accounts are properly audited.

Mr. PRATT. Not if rule 11 is lived up to.

The CHAIRMAN. You mean in regard to the expenditure committees?

Mr. PRATT. Yes, sir.

The CHAIRMAN. As a practical matter, those committees have never functioned in a way that I can recall to produce any substantial reduction in expenditures.

Mr. PRATT. Is there any reason why they should not?

The CHAIRMAN. They are committees to which Members are assigned after they are assigned to one good committee. They will say, "Very well. We will put this man on a Committee on Expenditures or on the Committee on the Disposition of Useless Executive Papers."

Mr. PRATT. My point is that it is the obligation of Congress to see that the money is expended as they have prescribed in their appropriations. If Congress is not accomplishing that, I think the burden is on Congress to do so; but if you set up an agent to approve the expenditures before they are made, you block the operating machinery of the Government.

The CHAIRMAN. Now, the machinery of Congress is just the reverse. The machinery of Congress now is to see to it that no money is appropriated for a purpose for which there is no reasonable governmental use. The committees on expenditures in the Treasury Department and in the various departments of the Government do not hold many meetings. I think some of the committees now are holding hearings, but for five years past it is safe to say that those committees did not meet on an average more than twice during a session of Congress.

Mr. BYRNS. In a service of 10 years I do not know of more than one or two reports from them.

The CHAIRMAN. So far as practical utility is concerned, most of those committees may be abolished, if we are looking to them to save money or cut down expenditures.

Mr. PRATT. To analyze the points that you have in mind, and upon which we both agree, it is this: That it is the business of Congress to see that money is expended in the proper way in the several executive departments. There are two ways in which to bring that about. One is to adopt the suggestion of Senator McCormick, to have a man whose approval is necessary before money is actually expended. Second, to establish a machinery which will have the opportunity to follow these expenditures and see that the money is expended in the way and for the purpose for which it was appropriated. On the other hand, if you base it on the idea of human nature, and have a Cabinet officer realize that it is up to him to see that the money is expended properly, you will force him to see that it is expended in the way it should be and for the purposes for which it was appropriated.

The CHAIRMAN. It seems to me that the ideal system would be one that would give the President the machinery to prepare the estimates to be submitted to Congress in a budget or some other form, so that

he can assume full responsibility and know that when that estimate is made it is an estimate that he is willing to stand for. Then when it goes to Congress the responsibility becomes the responsibility of Congress to act upon it, and that body will be judged by the ability with which it discharges its duties. Now, after that is done there ought to be an independent body, independent of the executives, with an official who could say, "This appropriation can or can not be used for this purpose," and that decision would be binding and he could not be removed by the Executive. He could go over in a broad and general way the auditing of those accounts, and in that bureau there would be efficiency experts on the staff of the auditor who could determine whether or not this department was functioning in a healthy way, whether or not the clerks were efficient, whether or not they had too many clerks in the department; and that body could then come to Congress, the machinery voted by the President helping him all the time in these estimates, and with the machinery furnished by Congress, with the two balancing each other, one watching the other, you will be able to cut down estimates to the point where it is necessary to have money for the Government to function; and in addition thereto you are going to have more efficiency in the departments and there will not be this demand on the part of the Executive to use money for a purpose that Congress has not appropriated it for.

Mr. PRATT. I agree with you in all but one point. If you put this man in, as you have outlined, you are practically putting him in charge of the entire expenditure of the money that you have granted. If you are going to have him see that every clerk in every bureau in the whole executive and spending departments is doing his work, he needs a great deal bigger organization than a budget staff.

Mr. HAWLEY. You spoke of the expenditure committees. If each one of the expenditure committees was to follow out the expenditures of the department over which it has jurisdiction, effectively, and see how the money was used and whether it was properly used, each of those committees would require a large staff to do that work. When we make any investigation of a department we appoint a special committee and give it sufficient staff to make such an investigation.

Mr. PRATT. I think I can say that none of you can point to any report, either by an official of the administration or an official of Congress, as to what the Government has done the last year. That should be an obligation fixed upon a committee of Congress or upon several committees of Congress.

The CHAIRMAN. Mr. Pratt, I think you did not understand my question before. It was not my thought or the thought of any member of this committee that we ought to have an official connected with this Congress, or independent, who would pass upon the necessity for expenditures or anything of that kind. He would have no power to pass upon anything of that kind except the legality of the expenditure. Where an appropriation was made for a given purpose he would have no power to say how much of it should be used for that purpose, but where an attempt was being made to use it for some other purpose and the question of its legality came up, his opinion would be final upon that question, and that question only.

Mr. PRATT. As a practical matter, Mr. Good, every appropriation act must be interpreted from its legal standpoint. Now, under the present system there are comparatively few occasions where it is necessary to go to the Comptroller of the Treasury for an interpretation of the act—that is, the ordinary act of appropriation that you pass is carried on without any question by anybody. But if you put in any man who has the right to disapprove the payment of a voucher because his interpretation of the act is different from the interpretation of Congress as to the purposes for which the money was granted, it necessitates the forcing of every man who has a voucher to be paid to go to that official and have his voucher approved before it is paid.

The CHAIRMAN. Then you might as well abolish the office of the Comptroller of the Treasury, because if his decisions are not final on the law—

Mr. PRATT (interposing). I think they are.

The CHAIRMAN. They are final on the law. I am told we have had one President who said that while he could not change the decision of the Comptroller of the Treasury he could change the comptroller. and that is the evil of the whole matter. If the Comptroller of the Treasury is placed in a position where his decisions are not influenced by fear of removal or something of that kind, he then becomes an officer who is simply enforcing the law so far as it relates to appropriations and, it seems to me, ought to occupy that independent position, because if he is allowed to have his decisions modified or changed by the will of an Executive, then we might as well abolish the office.

Mr. HAWLEY. Do you not think there ought to be some one, for the sake of orderly expenditure, authorized on the part of Congress to raise the question as to the legality of any expenditure?

Mr. PRATT. Absolutely; but I thought that would come through the committees.

Mr. HAWLEY. How can a committee get that matter before it unless it has a staff which follows up the expenditures? The comptroller and auditor general provided for here is an officer with a staff who follows up the expenditures, and he is the agent and assistant to the committee to which you refer, and he furnishes the information on which they can base any action which they may desire to take, and they can not do that unless they have some person competent to give them that information.

Mr. BYRNS. Why not have one general staff for the whole Congress rather than a number of staffs for the various committees?

Mr. PRATT. What I had in mind was, for instance, in the case of the Committee on Military Affairs, that in studying the appropriations for the War Department that committee is already charged with the duty of initiating new legislation for the War Department. What more simple method could be devised than to get a statement of what had been spent by the department and charge the committee with the duty of seeing that the War Department was getting quid pro quo for everything they spent?

Mr. TEMPLE. These committees on expenditures are not auditing committees and they have no jurisdiction over anything except as they are authorized by the House. In other words, they have no power to originate an investigation.

Mr. HAWLEY. On that point, Mr. Pratt, the War Department would report on their expenditures, it is true, but they might have made expenditures in a way different from that intended by the House when the appropriation was made. They would report so much money expended for such and such a purpose, and the Military Affairs Committee, unless it had a staff of experts to inquire into the question particularly, would not know whether the War Department had expended the money for the purposes authorized by Congress, and the purpose of this office, that of the comptroller and auditor general, is to raise that question.

Mr. PRATT. As I said before, auditing, which is merely a question of bookkeeping, following the vouchers and seeing that the receipts and books are properly kept is quite distinct from interpretation of the law when it comes to the expenditure of money. I thought that the Military Affairs Committee or the other committees who are passing upon departmental matters, could indicate to the House whether the department had carried out the work called for in the appropriation act?

Mr. HAWLEY. It would be only a question of the interpretation of the law by the War Department, and their construction of the act may be entirely different from the intention of Congress. I know we are very frequently surprised at the expenditures.

Mr. PRATT. It seems to me, though, that you have got to trust them to some extent. You have got to trust your spending department, if this budget system goes through and you hold these men responsible.

Mr. HAWLEY. But the English Government, which has a budget system, has its accounting committee and its controller and auditor general as an integral part of its budget system?

Mr. PRATT. Yes, sir.

Mr. HAWLEY. They could not have their budget system without that committee and that official.

Mr. PRATT. No, sir.

Mr. TEMPLE. There are two general principles in business relations. First, it is necessary to trust men. Second, it is prudent to watch them.

Mr. PRATT. You are quite right, but when you trust a man you do not put another man over him.

Mr. BYRNS. As a matter of fact, most of this trouble of duplication and overlapping, I think, can be clearly traced to different interpretations made by officers appointed by the Executive rather than any intent on the part of Congress. It seems to me if we had some official directly responsible to Congress for the purpose of making a report to Congress as to whether or not the money has been expended properly and in accordance with the will of Congress, it would be very helpful to Congress.

Mr. PRATT. Your budget staff is going to find that out. After all, it is the actual number of men who are doing a given job that can be cut down, if you want to bring about economy. If the budget staff find that there is overlapping, you will have to make people find what they are doing, and as soon as you do that then it is a very simple proposition to find out whether they have actually performed their duties as they have been defined, by a post audit system. But, having appropriated money for the committee to carry out this work,



it seems to me it is bad policy to put in a representative to interpret that law.

Mr. HAWLEY. Then your budget committee would be necessarily a committee to construe the law passed by Congress and examine the expenditures of the departments to see whether all expenditures were in conformity with the law?

Mr. PRATT. You mean the budget committee of the House?

Mr. HAWLEY. The budget staff you speak of.

Mr. PRATT. No.

Mr. HAWLEY. Then there would not be any importance to that question?

Mr. PRATT. The question was raised as to one of the causes of overlapping being the interpretation of appropriation acts by the departments favorable to the bureaus and opposed to the intent of Congress. The basic trouble there is the fact that you have not the various committees on expenditures in their proper functions; that is, they have not had defined for them just exactly what their duties are. That is what the budget staff will find out.

Mr. HAWLEY. How can they do that unless they examine the law and define expenditures?

Mr. PRATT. If they find four bureaus overlapping——

Mr. HAWLEY (interposing). There are other questions of expenditures made contrary to law in which there are no overlappings involved.

Mr. PRATT. I was only speaking of the point of having bureau chiefs interpret the law differently.

Mr. HAWLEY. But it might not involve overlapping work; it might involve undertaking a new enterprise.

Mr. PRATT. I believe that if this system goes through you will establish business principles in your administrative departments, because you will hold men to their responsibility by defining their responsibility and by requiring them to sign their names to the budget estimates. Now, having done that, the matter having been made available for their use, I think you will find that those men are not going to spend that money in ways that are contrary to congressional legislation, because you are going to have a clean-cut proposition of having so much money to meet certain pieces of work.

Mr. HAWLEY. Let me call your attention to a question now pending before the revenue bureau. I will not go into details. Congress passed a certain law and it is being interpreted in the department. I submitted that interpretation to the former chairman of the Committee on Ways and Means, Mr. Kitchin, and some others, and I myself am a member of that committee. We all agreed that the interpretation by the revenue department was not that intended by Congress. There is not any dissent on the part of the legislative, so far as I found out, but what the revenue department is absolutely construing that law contrary to the intent of Congress. They are probably construing it in conformity with what they believe is the intent of the law, but it is not the intent of Congress.

Mr. PRATT. That question would come up all the time; but you might find that your controller general might disagree with each member of the committee, or he might agree with some other Member of Congress with whom you do not agree. The question of in-

terpretation of the law is a difficult proposition. You know that two men may have an honest disagreement of opinion about anything.

Mr. HAWLEY. The court decisions are full of evidence of that.

Mr. PRATT. If you put in an official who would interpret the acts of Congress, you might have a great many cases of disagreement between the congressional opinion and the interpretation of the department, and it would block the expenditure of money. I believe that if you will get this budget down to the basis upon which it ought to rest, you are going to have much less trouble with it.

The CHAIRMAN. But after all, will it not come back to Congress in the next session?

Mr. PRATT. Yes.

The CHAIRMAN. If a controller should become arrogant and deny by his rulings the expenditure of money that was clearly the intention of Congress to appropriate and if Congress had the power to remove that official, his action would be tempered somewhat by the fact that his tenure of office depended simply upon his giving decisions in accordance with the law rather than giving them in accordance with what he might personally think the law ought to be.

Mr. PRATT. I do not look at it from that standpoint, but merely from the standpoint of operation. If you put in a man who has the right to punish the executive official if he spends money contrary to the intention of the law, as a practical matter you have got to have everything put up to this one man. If you could put in a provision somewhere that would give Congress the right to a writ of mandamus or injunction against that official if he was construing the law contrary to the opinion of Congress, that would not be so bad.

Mr. TAYLOR. Mr. Pratt, this being a Government by the people and the Congressmen being the only people they can reach and get hold of, is there that responsibility on the appointive officer, who does not care and does not have to look to the people at all, to the people who pay the money to foot the bill? The appointive officer, the executive officer, the Cabinet officer, and the subordinate boards, they have not that personal responsibility, and answerability, you might say; they have a freedom from it for short intervals, and they are thinking about the building up and enlarging of their bureaus and their functions all the time, and would it not be dangerous to give them a power that the Congress can not put its hand on every minute? We can not shift the responsibility and get away with it.

Mr. PRATT. I was talking to Gov. Strong a little while ago. He said that in the Federal Reserve Bank of New York the trouble they are always up against—it is a proposition under the law—after they have declared a certain amount of dividend on the stock of the bank, the balance must be put into a general reserve and part of it goes into the Government. That opens the door for a governmental investigation at any time, and because of that fact the board has to keep an absolutely accurate record and has to be absolutely sure of every expenditure made by it. Now, that is the situation in which I want to get our Cabinet officer, that he, as a public officer, will be subject to a penalty if it can be proved that his department has acted contrary to the appropriation bills. That is the position Cabinet officers should have.

Mr. BYRNS. Does not your proposition to Mr. Taylor involve what might be called an executive budget, pure and simple; in other words, the executive prepares this budget and sends it to Congress, and Congress can not change it except by a two-thirds or three-fourths vote? And then when the appropriation is made, why, the executive must have the authority and the machinery whereby he, through this machinery, determines whether the money can be legally expended for this purpose or for that purpose. And isn't it, as a matter of fact, practically the elimination of Congress so far as it can be done in our form of Government, from having anything to do with the making of appropriations and the expenditure of the public money?

Mr. PRATT. No. Not if you will make these men to whom you grant the money subject to punishment and actually punish them if your agents can find they have misinterpreted the law or spent money contrary to the law.

Mr. HAWLEY. We can not punish them, because we have no authority to do that. It is for the Department of Justice to punish them, which is under the Executive.

Mr. PRATT. You have a concrete case of that, I believe, in the War Department?

Mr. TAYLOR. You are not in favor of absolutely dispensing with the balance between our three departments of Government, the legislative, the executive, and the judicial, are you? And is it not true that the power of this Government has been gravitating at a terrific—I think frightful—rate toward the executive branch of the Government for the past 12, 15, or 18 years?

I do not believe it is to the welfare of this Government. We are only temporary Members here. Somebody is going to be in Congress, and the Members of Congress are the ones the people have their hands on all the time and they write to them and they are near to them. Now, is it advisable for us to surrender our power and, to that extent, to vastly enhance the influence of the executive department, and would the people tolerate it if we did; and is it for the welfare of this Government that we should abdicate our functions to that extent?

Mr. PRATT. I believe the main trouble is the fact you have not fixed the responsibility, and there has not been a comprehensive plan drawn up by the various people who are going to spend the money. I do not believe Congress is surrendering any of its present powers under this plan of ours if you exercise the power you ought to exercise and see that the administration does its job.

Mr. TAYLOR. But do you bear in mind the fact the people do not seem to realize that Congress itself has been the only restraining power for years and years. We have been cutting down on the executive and trying to do it all the time, and we are the ones who put on the brakes——

Mr. PRATT. I realize that.

Mr. TAYLOR. Although we get the blame for the large appropriations, we are putting on the brakes all the time. Even during Mr. Taft's administration, when he made excellent recommendations for horizontal reductions, etc., at the same time Congress cut down his estimates; and we think we have been functioning pretty good as it is, and if we are now to surrender that power to the executive branch,

to let them have carte blanche to go ahead, we would have been several hundred million dollars behind if we had surrendered that power during the past 10 or 15 years.

Mr. PRATT. I am not asking you to surrender that power; I do not think our plans call for that at all. The trouble there—Congress has cut down the estimates, that is true; but a great deal of money has been appropriated by bills introduced in Congress that call for money.

Mr. PURNELL. Under your plan, you practically cut off the power of Congress to amend on the floor by requiring a two-thirds vote for passage. That practically destroys the power of Congress.

Mr. PRATT. I do not like to bring politics in in any sense, but the reason why so much money has been wasted has been because of political influence brought to bear on Congressmen and on the Executive, and I am trying to draw a plan where both of those things will be eliminated. You eliminate under our plan the possibility of the Executive interference or political influence by giving to Congress the right to examine the budget staff.

Mr. HAWLEY. Why do you say political influence; why do you not say business influence.

Mr. PRATT. Call it what you will; I think it is political influence.

Mr. TAYLOR. I think it is more business influence as a matter of fact. We have a great many requests for things that affect local interests, and they write to Republican and Democratic Members alike you know?

Mr. PRATT. I know. I am not absolutely sure of my fact, but I state my general impression when I say that in the development of the war we built plants in various parts of this country not from the standpoint of best serving the Army's needs but because of local influence, call it business, political, or what you will. And there is not any man who can say that the development of the war was carried on from a strictly effective and efficient war standpoint. Now it is no party's fault; they are both liable; but if you put it up to the budget staff, you will see an end to that sort of thing.

Mr. BYRNS. And I do not suppose there was ever a time in the history of this Government when the Executive had more expert advice and more business men called here, so called dollar-a-year men, to advise him on expenditures of this Government during this war and during the time you say this money was probably improperly spent.

Mr. PRATT. To get back to the question of pressure, if the budget staff is simply looking at this from the standpoint of getting the most good out of the dollars appropriated, it is going to have two influences: Of course the influence on the budget staff, possibly the business influence on the staff, is eliminated by the suggestion that the members of the budget staff be examined by Members of Congress, to find out whether business pressure or the other pressure, the pressure from the Executive, has been exerted. You have then the influence from Congress, and that is why the two-thirds rule is suggested.

Mr. TEMPLE. Is there not another possibility that such influence will be exercised on the members of the staff direct and not through the Executive or through Congress?

Mr. PRATT. I do not fear that at all.

Mr. TEMPLE. A man is not open to those influences unless he is in office.

Mr. PRATT. You are quite right, sir; but I think you can find or I think the President can find men who will feel the obligation to get up an honest budget from the standpoint of the best interests of the Government.

The CHAIRMAN. Why not elect such a man to Congress or to the Presidency to begin with rather than to put him on the staff?

Mr. PRATT. Because his budget is not an executive budget in that sense at all.

The CHAIRMAN. I do not see that it changes a man's honesty or opens him to influence he was not open to before to elect him to the Presidency or to elect him to the Senate or to the House; and I do not see why men on the staff would not be open to the same influences and the same pressure other men are. How are you going to guard against that if you give them all the power and take it out of the hands of Congress and take it out of the hands of the Executive and trust it to them?

Mr. PRATT. I am not taking it out of the Executive. You have to get somebody who will correlate this whole Government operation, so far as the financial plan is concerned.

The CHAIRMAN. Undoubtedly.

Mr. PRATT. And these men, I do not care whether they are appointed by the Executive or Members of the House, they are going to be subject to the same influence you are now speaking of, if you give them responsibility. You can not give any man responsibility without making him subject to certain influences.

The CHAIRMAN. You can never get any institution to operate on a higher standard than the men who operate that institution.

Mr. PRATT. You are quite right; and the things we set up as checks and counterchecks I think ought to make it work as a practical proposition.

Mr. TAYLOR. Mr. Pratt, have you thought beyond the House of Representatives? For instance, when the bill gets through the House, then what would you have the Senate do—would you have the Senate put any amendments to it?

Mr. PRATT. No; I would have the budget submitted to the House and Senate at the same time, and I would have the same kind of committee arrangement in the Senate that you have in the House.

Mr. TAYLOR. Would you have the House surrender its authority to originate appropriation bills, revenue bills, etc.?

Mr. PRATT. No.

Mr. TAYLOR. And carry it through this body first?

Mr. PRATT. No. But if you keep the President's budget, as an instrument, in evidence all the way through, after your appropriation bills and revenue bills have passed the House, I would have the whole thing shipped over to the Senate?

Mr. TAYLOR. What limit would you put on them?

Mr. PRATT. I would have the same limit and same subcommittee arrangement exactly. I would have it referred to their committees to examine and report just as your committees do.



Mr. TAYLOR. We never could get the Senate, and I do not believe we could get the House, to surrender these legislative functions under the Constitution.

Mr. PRATT. I am not asking them to.

Mr. HAWLEY. Mr. Pratt, have you reduced your ideas to writing in the form of a bill?

Mr. PRATT. No; I have not. I would be very glad to do it if you want me to. I think the first provision of Mr. Good's bill is what we generally agree to—that is, the appointment of a staff in the office of the President, as differentiated from Senator McCormick's bill.

Mr. HAWLEY. You know there is a difference between suggesting general principles and transferring those principles into a legislative language?

Mr. PRATT. There is a great deal of difference; you are quite right, sir; but you only need to cover, just as Mr. Good has found out, the first principle in legislation. The second and third points of the budget system we advocate depend entirely on a change of the House rules and are not matters of legislative acts.

Mr. BYRNS. Mr. Pratt, you spoke of the difficulty under the present system in having many committees, one committee appointed for one department and one for another, and their liability; and I think in actual practice it occurs that they naturally fall into the habit of boosting an appropriation. That is true of the executive departments. Of course, it is impossible to eliminate entirely any question of the political aspect, but might not this have reference to that question, assuming that it got by on the first appointment, that you would find that the bankers would say "Well, we ought to have a representative on the staff," and the agricultural interests would say "We ought to have a representative on the staff," the labor interests would say "We ought to have a representative on the staff," and so a great lot of pressure would be brought from these different interests, and so forth, for the appointment of some representative, and if some President was to yield to that (and they are all great interests and all entitled to a voice, of course, in the Government, and so forth), might or might not you have a situation of having a board, one put on there representing the agricultural interests and another representing the labor interests, and so forth, and each interested then in the particular interest which he represents?

Mr. PRATT. No.

Mr. BYRNS. And would you not then find yourself just in the same situation that you complain of now?

Mr. PRATT. No. The functioning of that staff is going to be the same as the functioning of the committee on appropriations—as you do practically with the bills that come to that committee.

Mr. BYRNS. I understand that.

Mr. PRATT. There is no reason why labor—if labor wants to get anything done, ought not to operate through the Department of Labor.

Mr. BYRNS. I am just going to say, as suggested by Mr. Hawley, that you can not entirely change human nature; and if you are met with that sort of a situation, and it seems to me it would be highly probable in the course of time, if not immediately, that you would probably be confronted with the same situation in the budget staff,

and you would have a man there representing the agricultural interests, some man thoroughly identified with the agricultural interests, who believed in certain agricultural policies and believed in spending a lot of money along that line, and of course he would be boosting it, and some other man representing some other interest. Then you would run counter to the possibility of a combination in your staff, such a combination as you speak of in Congress or with the executive department.

Mr. PRATT. Anything that you set up will be the same way.

Mr. BYRNS. That is true.

Mr. PRATT. I imagine it depends entirely on the human equation whether it is going to work out or not. We are talking about a system we think will work out the best way so far as the Government is concerned, but it will fail absolutely if the President is not back of it, and it will fail absolutely if you get politics injected into your budget staff. But it at least crystalizes the responsibility in those men.

Mr. BYRNS. I believe with you that some one man or set of men ought to be made directly responsible for the estimates that come to Congress, and then, of course, the responsibility is transferred to Congress, and Congress will be held responsible for the appropriations made.

The CHAIRMAN. Have you anything further, Mr. Pratt?

Mr. PRATT. No; I think I have covered everything I had in mind.

The CHAIRMAN. We thank you very much, Mr. Pratt, for coming before the committee and giving us the benefit of your study.

Mr. PRATT. I thank you for the hearing.

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TUESDAY, SEPTEMBER 23, 1919.

**STATEMENT OF MR. SAMUEL McCUNE LINDSAY, VICE CHAIRMAN  
OF THE NATIONAL BUDGET COMMITTEE.**

The CHAIRMAN. Mr. Lindsay, you are associated with the national budget committee?

Mr. LINDSAY. Yes, sir. I am vice chairman of the committee of which Mr. Pratt is chairman.

The CHAIRMAN. How long have you been a member of the committee?

Mr. LINDSAY. Since its organization. I was one of the incorporators. It was organized about six months ago and incorporated about three months ago.

The CHAIRMAN. With what institution are you connected?

Mr. LINDSAY. I am a professor in Columbia University on the political science faculty, holding the chair of social legislation.

The CHAIRMAN. To what extent have you made a study and investigation of the broad general subject this committee has under consideration?

Mr. LINDSAY. I have been a student of financial legislation for a good many years, going back, I suppose, to the time when I wrote my first book on the history of prices and monetary legislation at that time—I suppose about 30 years ago. I have also been connected

for eight years with the bureau of municipal research. I am secretary of that bureau.

The CHAIRMAN. What are its functions?

Mr. LINDSAY. That is perhaps the pioneer organization in this country dealing with the budget, beginning first with budget systems in cities. It has operated in 32 cities as advisor to the financial departments and civic bodies in making surveys of the financial system and developing a budget system in cities. About eight years ago, when I first became connected with it, it branched out into State work, especially because in New York City financial legislation affecting New York City is very closely tied up with the financial legislation in the State at large. And I took charge of the State work and worked on the budget there for several years, working with the committees of the Constitutional Convention in 1915, and also frequently with the financial committees and the general budget committee of the New York State Legislature. I also cooperated with Mr. Willoughby in the study of the English budget system.

Mr. TINKHAM. Who is at the head of the Bureau of Municipal Research?

Mr. LINDSAY. Mr. R. Fulton Cutting. I understand that Mr. Cutting will appear some day this week and also the director, Mr. Beard. I shall therefore not attempt to speak officially for the bureau, but we are all pretty much united in our views on this subject.

Mr. HAWLEY. Are you one of the gentlemen who went to England to study their system?

Mr. LINDSAY. Yes.

Mr. HAWLEY. You signed the report with Mr. Willoughby?

Mr. LINDSAY. Yes.

The CHAIRMAN. Of what other publications are you the author?

Mr. LINDSAY. None on the budget system, but I have written some magazine articles on that subject and articles on various economic and legislative topics appearing in periodicals.

The CHAIRMAN. Nothing on finance?

Mr. LINDSAY. No other books or articles on finance; no. I have some things on labor problems and general economic questions.

The CHAIRMAN. You have a general statement you would like to make to the committee?

Mr. LINDSAY. I would like to say, in the first place, in the main, I think I entirely agree with what Mr. Pratt presented this morning to the committee, but I would like to develop one or two points a little bit further, perhaps, and then if there are any questions you would like to ask, to take it up in that way.

First, I would like to say a word about the purpose and organization of the national budget committee. I think I would like to get that on the record here.

The CHAIRMAN. We will be very glad to get that.

Mr. LINDSAY. The purpose of that committee was to organize public sentiment with respect to the need of a budget system and the kind of a budget system that would give us the best results and to stimulate the study of the budget problem in all aspects. There are a great many organizations, some of which we have just been discussing here, dealing with the budget, and it was felt by those of us who organized the national budget committee that we might perform a useful serv-

ice by attempting to focus discussion as much as possible and bringing together bodies representing different cities and different communities in one organization with a view to cooperating with the Congress or in aiding the Congress in taking up the question, just as your committee is doing now. So it is purely educational, and in one sense propaganda, but without being propaganda for any very definitely fixed plan. We have not adopted a plan and submitted it, as was suggested a moment ago, with reference to the chamber of commerce; we have not indorsed any bill nor had any bill introduced.

Mr. BYRNS. How is it financed?

Mr. LINDSAY. It is financed by voluntary contributions. It has not required a great deal of financing so far, and I do not know that it will. It depends on how much activity it engages in and how much publishing we do. At any rate we expect to form a standing membership. Anyone who will subscribe \$2 a year as a minimum will receive the publications of the committee and will be kept in touch with its activities. And we hope to stimulate the formation of clubs and organizations to discuss national finance and the budget problem, and also to furnish speakers and to stimulate such discussions in existing organizations, business men's organizations, and civic bodies generally throughout the winter. And we hope when you gentlemen present your report that we will be able to get back of such legislation as you propose and to arouse interest in it, to stimulate public discussion of it, and, if necessary, to suggest and advocate amendments to it if it does not seem to go as far or to accomplish the objects we all have in view.

The CHAIRMAN. And are you furnishing data to the speakers?

Mr. LINDSAY. We will; we have not done very much as yet.

The CHAIRMAN. What magazine articles have appeared at the instance of the budget committee?

Mr. LINDSAY. There were a number of articles prepared for general publication, articles prepared as a result of interviews with different men, and in some cases prepared from the published speeches or writings of different men prominent in public life that were submitted to them for their approval and, when, approved, put out wherever we could find a place to put them. A number of articles of that kind, usually newspaper articles, have been distributed. There are no magazine articles that I know of or that I think of at the moment that have as yet appeared as a direct result of the committee's activities.

The CHAIRMAN. My attention has been called to one or two articles coming from your committee that seemed to me to show a lack of detailed information with regard to the working of Congress, and yet very seriously criticizing Congress. Some of those articles are not founded on the facts. I have wondered if you have anybody in connection with your organization who is making an unbiased analysis and study of the work of Congress with its relation to appropriations, so that the information that may go to the speakers will be based on the actual facts and will not be colored either one way or another.

Mr. LINDSAY. I can assure you there has been no intention on the part of those responsible for the policies of our committee to either publish or disseminate erroneous information or to color any infor-

mation that we can get. It is our hope—we have relied thus far, and probably will have to rely very largely, on volunteer effort and assistance from those we can get interested in the work of the committee to get such information. We hope to study the actual working of Congress, as far as we can get accurate knowledge about that, from the Congressional Record and other published sources of information, and to reproduce part of that from time to time in the form of information to be sent to our speakers, or in our bulletin entitled the National Budget, which is a little sheet issued twice a month.

The CHAIRMAN. In the Review of May 31, 1919, there was an article I intended to call to Mr. Pratt's attention this morning and overlooked it, from which I quote:

For example, nearly every appropriation bill specifies to the last detail where and how the work shall be done and the money expended; sites for new buildings, to take one instance, being selected by the dictates of some Congressman or Senator who has been able to bring political pressure to bear. The design and materials to be used, the number and salaries of clerks and assistants, are usually specified in the bill. In other words, the executive departments, whose officers have studied the problem and who are responsible for making the necessary contracts and for seeing that the work is properly done are so restricted by the terms of the appropriation bill that all initiative and incentive to save is deadened.

Now, I have here all of the appropriations, and I would like to have somebody point out to me wherein anything contained in the appropriation bills would warrant that statement. As a matter of fact, appropriation bills never carry matters of detail with regard to buildings of that kind, except the location. The entire administrative work, the question of the kind of material used, the type of building to be selected, and everything is left to the Supervising Architect of the Treasury. Congress never attempts, as far as I can recollect, to regulate in the slightest degree the question of detail, except a few years ago, when the attention of Congress was called to the fact that public buildings were costing more than buildings erected by individuals, and it did suggest there ought to be a standardization of buildings in order to eliminate this excessive cost. But so far as Congress interfering in that respect, I am sure that statement is made through some inadvertence or a lack of full knowledge with regard to the work done.

Mr. BYRNS. May I ask if that is signed?

The CHAIRMAN. Yes; it is a signed article.

Mr. BYRNS. Have you any objection to stating who is the author of it, or is supposed to be the author of it?

The CHAIRMAN. The article is signed by Mr. Pratt, and I had intended to call his attention to it this morning.

Mr. GARNER. The gentleman who appeared here this morning?

The CHAIRMAN. Yes.

Mr. GARNER. You say your association is incorporated?

Mr. LINDSAY. Yes; it is incorporated here in the District of Columbia.

Mr. GARNER. And one of your purposes is, if we make a report you hope to get behind the report and create public sentiment in favor of it sufficient to put it on the statute books?

Mr. LINDSAY. Yes.



Mr. GARNER. Suppose that the report did not meet with the approval of your association, what would be your action then?

Mr. LINDSAY. We would attempt then to have introduced, probably, through some Member of Congress—I do not know just what the procedure might be—an amendment to meet whatever objections we might have to suggest.

Mr. GARNER. And, of course, you would organize speakers and send out literature for the purpose of carrying your point?

Mr. LINDSAY. Supporting the committee's reported bill as amended to meet any difference in views which might arise between us.

Mr. GARNER. I have known a number of gentlemen, very high in both financial and educational affairs in the country, who have criticized Congress, and I have wondered why they did not sometimes undertake to come to the House of Representatives and seek to reform the body in which there are so many defects.

Mr. LINDSAY. Perhaps they did not know how to be elected.

Mr. GARNER. We have an electorate and the electorate is the final arbiter of all these questions, and I have just been wondering why some of them did not get permission to come to Congress and tell us how this thing ought to be done first hand.

Mr. LINDSAY. Mr. Chairman, I am sure I hold no brief for those who have been criticizing Congress. I have been an observer of the work of Congress for a great many years, and I have been down here very often as an observer, and I have a great deal of respect for the work of Congress. In fact, I think the detailed work—probably Mr. Willoughby has said this; he and I both came to the same conclusion, from the study of the English system, that the detail work which the Committee on Appropriations does and which other committees do, in handling the estimates is done far better than it is done in England, far better than it is done in France, and I know a little about the procedure there and in Germany. That is not the question involved it seems to me in this proposal for a new kind of a budget system.

Mr. GARNER. I do not intend to be captious. The only thing I want to draw attention to is this: I do not suppose any body of men criticize Congress more than its own membership does. We get on the floor of the House and criticize the action of the majority or the opposition of the minority and the action of this committee, and that committee in reporting this and that legislation. The point I am trying to draw to your attention is the fact that if you do not criticize carefully you might lead the public to lose confidence in the legislative branch of our Government. And when you do you are undermining your Government and thereby creating a condition in this country that I think you or anyone present who gives it any thought does not want to bring about. And that is the result of articles of this kind. You cause the people of this country to lose confidence in the integrity or wisdom in the branch of the Government that I think is more responsible to the people than any other branch of the Government.

The CHAIRMAN. I think every person who serves in Congress realizes that Congress makes mistakes, grave mistakes, and very many mistakes; and I am sure this committee will welcome any criticism that is based on facts. The only thing I think we should avoid.

especially in publicity, is to base our conclusions on statements in the public press that really have no foundation. The public official is too thin skinned to be a public official if he feels that criticism, no matter how just, is unwarranted; and it seems to me that a committee like yours, or any other publicity committee, ought to exercise considerable care in not giving the impression that certain things exist which in fact do not exist. Some of the publications, the magazine articles, and even books that have been written, I think do draw an unwarranted conclusion and give the public a different picture altogether than the one which actually exists, so far as the legislative body is concerned. They have their faults and they are grave, and attention should be called to them.

Mr. GARNER. But it ought to be criticized intelligently.

Mr. HAWLEY. I had the impression this morning that Mr. Pratt was presenting a plan officially adopted by your organization for the establishment of a budget system in the United States. Was that impression right or wrong?

Mr. LINDSAY. It was right to the extent of the general outline of what was needed to meet the general budget problem as we see it, which was summarized in what Mr. Pratt said and in what he has printed in a little pamphlet entitled "An Executive Budget System," which has been considered by the officers and members of our committee and by those in sympathy with us.

Mr. HAWLEY. We only know what he said this morning, and we do not know what may have been printed. The statement he made this morning was an outline of your official position?

Mr. LINDSAY. That is correct; yes, sir.

Mr. GARNER. Does Mr. Stimson belong to your association?

Mr. LINDSAY. Yes.

Mr. GARNER. Did he assist in outlining this plan?

Mr. LINDSAY. He did. I would like to say just a word or two first about the establishment of a budget bureau. Our idea has been that a commission or a bureau composed, as Mr. Pratt put it this morning, of five directors, would be superior for the purpose of formulating the budget to a single officer, and appointed for a term not so long, perhaps, as you may have inferred from Mr. Pratt's statement that he thought desirable. I should say if you had five men appointed for a term of five years each, one falling out each year, so that any President coming in would have in the course of one term at least four of the five to appoint, you would meet the purpose we had in view in considering that kind of a budget bureau, namely, of getting a continuous body of experts, so that you would not start all over again with every new administration. And, of course, if the President, coming into office, were to appoint the whole budget staff, it might go all the way down the line, and you would lose the benefit of the cumulative experience of previous years. You can not get away from the fact that the President would have at any time, if you decide to give the President a budget staff, a going concern when he comes into office, which he would gradually make responsive to his platform, and thus put his plans and policies into effect. The President commences office on the 4th of March. The appropriations for the rest of that fiscal year, and probably for the ensuing fiscal year, at any rate, and the policy as determined by

those appropriations would normally have been determined by the action of his predecessor in office and the preceding Congress. So that at any event there is a period of several months before he can affect the policies expressed in the budget.

Mr. GARNER. If the budget bureau became a political question in the country, their policy becoming a question of politics, and the President was going out on the 4th of March, he very easily could defeat all the appropriation bills and force an extra session of Congress by the incoming President; and then you would have the entire fiscal policy immediately brought before the public.

Mr. LINDSAY. Yes.

Mr. GARNER. So your statement is not entirely correct.

Mr. LINDSAY. No; there have been exceptions of that kind.

Mr. GARNER. It is possible that your budget committee or staff might become a political issue in the country, and therefore the outgoing Congress might determine to leave to the next Congress to put into effect the policy the President has been elected upon. For instance, you might have a President running on a platform where one of the principal things would be the economic activities of your budget staff; and therefore the outgoing Congress would hold back an appropriation and let his new measures go into effect.

Mr. LINDSAY. Of course that could be done, but normally the other situation prevails. Now, it does not seem to me in the plan Mr. Pratt suggested, or in our plan, or in any plan proposed here, there is any thought of empowering the budget bureau to do anything more than the technical work of preparing the estimates, collecting the estimates, I should say, and assembling them, criticizing them, and revising them, and preparing the budget on the basis of those estimates. The theory of an executive budget is to hold the President, as the Chief Executive, responsible, and to make the budget bureau merely the technical staff, as nearly permanent as possible, and as nonpartisan and free from political influences as possible to do the technical detail work. Whether it would be wise to try and prescribe qualifications of members of that staff or bureau and the directors of the bureau, or not, it seems to me is doubtful, other than indicating the caliber of men you expect to get by the salary you propose to pay. It might conceivably be desirable to prescribe that one should be a public accountant, that one member should be trained in banking or in finance, and one representing labor interests, another farmers, etc.

Probably if you have a commission where the term of one member expires each year you would get a better result by putting no limitation upon the appointing power, and let the President appoint, subject to the confirmation of the Senate, without any other restriction except to get the best men that he can get. But the point that seems to me to be important in this concept of an executive budget is that Congress is not giving up any of its powers thus far by holding the President responsible for collecting and presenting the estimates. It is trying to consolidate what goes on now—what is written into the law now—the law that was quoted this morning of March, 1909, I think, which makes provision for this thing. But it has not been made effective. Now, the need for a new kind of budget system seems to arise very largely from the fact that this requirement is not working now because of a

lack of consolidation. You would consolidate things that are possible now. The same way with reference to a review of the estimates. In the first instance, estimates are now submitted automatically through the Secretary of the Treasury. They get no Executive review at all. They might have, as was suggested here this morning, and they have have had some Executive review at times, as, for example, in President Taft's administration, but they never had the kind of Executive review that is necessary, because they have never been consolidated except in a perfunctory way by the Secretary of the Treasury, who transmits them to Congress.

Mr. GARNER. Suppose you were President of the United States. Don't you believe you could direct each one of your Cabinet members to look into the question of cutting down appropriations and see if you could not reduce the expenditures of this Government and eradicate useless, overlapping, and inefficient bureaus and things of that kind?

Mr. LINDSAY. Yes.

Mr. GARNER. After all, is not really the power there now for the Executive to do that thing, and is it not your complaint and the complaint of the country that that is not done now?

Mr. LINDSAY. Yes. I think a great deal more criticism might be leveled at the Executive for not performing what could be done, but I am a little doubtful whether he has or ever has had the requisite and right kind of machinery to do that work. Perhaps he has theoretically the power, but practically I think it might be difficult for him to do that work effectively without a permanent budget bureau. Of course he could get appropriations for such a staff probably if he asked Congress for \$100,000 or any reasonable sum necessary to carry out such a plan.

Mr. GARNER. I agree with you that he probably has not the machinery in his office.

Mr. LINDSAY. Yes.

Mr. GARNER. But there is not a Cabinet officer of this or any other administration who has not the facilities to go through his department, if he desires to do it, and ascertain the unnecessary functions being performed or the extravagance going on and eliminate it. But the reverse exists. Most of the Cabinet officers I have noticed are reaching out for more power and trying to get more money and more bureaus; and if you create a bureau, as Gov. Lowden said yesterday, the more efficient a man you put at the head of it the greater become his activities and the more appropriations he wants from Congress. I think because of that very incentive you have to have somebody to criticize them. Mr. Pratt this morning was not going to have any criticism of the bureaus and various departments of the Government. I think your budget bureau would not do any good unless it did criticize. These five men could report to the Appropriation Committee and say, "Gentlemen, we find in the Agricultural Department there is work being done that is not necessary; here is where it overlaps the Department of Commerce." In doing that, however, you are raising a question of public policy and opposing some Cabinet member. A body of that kind might have some value, because it would enable Congress to know the defects existing and they could then make appropriations accordingly. But if it were a mere clerical body to transfer from the

Secretary of Agriculture to the President the estimates he makes, it does not seem to me that it will do any good.

Mr. LINDSAY. The chairman of your budget staff or your five directors of the budget bureau won't accomplish anything unless you give them enough power so that he can talk right out to a Cabinet officer with all the prestige of an independent department as influential with Congress as that of any Cabinet officer. In fact, the thing I do not like about the proposition of making the Secretary of the Treasury the budget chief is that he can not talk back effectively to his colleagues of equal standing. It is theoretically possible, I think, to make the Secretary of the Treasury the head of the budget staff if you start in in the first place by abolishing the Treasury Department practically. Every service function that the Treasury Department performs other than the collection of the revenue and the functions that it would perform as a budget bureau would have to be taken out; and even then you would have a very large service staff. The collection bureau of the Internal Revenue, I believe, alone has some 20,000 employees, has it not, which is a pretty large force? But the only advantage in that plan would be that you would have the head of your budget bureau a member of the Cabinet next to the ranking member of the Cabinet, the Secretary of State being the ranking member. You would have one of the leading members of your Cabinet responsible to the President for the budget. If there is any great advantage in having the head of the budget bureau a member of the Cabinet, there is no reason why you should not create a new department of the budget and make the head of the department of Cabinet rank.

Mr. HAWLEY. Would he not be under the same disabilities then as the Secretary of the Treasury?

Mr. LINDSAY. No. He would only have then a comparatively small staff necessary for the performance of the budget duties assigned to him; he would not have the collection of revenue, for example, which the Secretary of the Treasury has.

Mr. HAWLEY. How would it do to make him a member of the President's staff, but not a member of the Cabinet, ranking between the President and the Cabinet?

Mr. LINDSAY. That is our proposal. That is the proposal of this plan to make five men the arm of the President for the formulation and collection of information, practically creating a bureau of administration or a bureau of management in the Government. It is setting up a business manager to carry out the functions of the Executive for the purpose of assembling and formulating his demands for funds to carry out the purposes of Congress.

Mr. HAWLEY. Now, would you give this commission authority to go to a Cabinet officer and say, "Here are your estimates"? All expenditures are based on public policy. Would you give them the right to question that public policy and then to go further than that and, if they thought necessary, to reduce the expenditure proposed by the Cabinet officer?

Mr. LINDSAY. Yes. I would have in the budget bureau the full power to make any examination you please, to call witnesses and to demand books and papers, to make original investigations of expenditures, to get at the basis of the need for the estimates before



the budget bureau acts upon those estimates and puts them into a proposed budget for the President.

Mr. HAWLEY. The point I have in mind is this: All of the Cabinet officers ask for more money than they get, and, since the Government has gone on very well with the appropriations Congress has given them, they probably ask for more money than they need. Would you give this commission authority to say to a Cabinet officer, "You ask \$500,000 for this purpose; we do not approve that. We approve your policy to an extent represented by an expenditure of \$300,000." You would give them that authority?

Mr. LINDSAY. Yes. That would be exercised, of course, through the President. The President would have to make the final decision. The budget bureau advises the President that the estimates of the Secretary of Agriculture, let us say, for \$500,000 are too high; that the work of the Department of Agriculture could be done satisfactorily, conforming to the law which decides matters of policy, the law fixed by Congress, with \$300,000.

Mr. GARNER. Your association is not entirely a unit, then. Mr. Pratt this morning said exactly the reverse—that he did not want to have the budget committee have anything to say about policy. He was particular to say, if you remember, that they should not have anything to say about policy.

Mr. LINDSAY. I do not think Mr. Pratt meant to say exactly that. I followed him very closely on that point, and I think he would agree with this idea that the right to reduce or revise, or increase even, of course with the final decision resting with the President, ought to be vested in the budget bureau.

Mr. GARNER. I think your position is one that could be of some service. The principal difficulty I see is that if you have five men in office on the 4th of March, when the President comes into office, having been elected on a certain policy, that budget committee already in office indicates to him the policy you speak of, suggesting a policy to the President where the President might have been elected on a policy which is the reverse, and it makes a political issue at once. And, in addition to that, the budget committee might say among themselves, "The President does not agree with us; we will undertake a propaganda to show that the President is wrong, and at the next election we will undertake to defeat him." So you have a political issue there.

Mr. LINDSAY. It seems to me that is very simple. The way that thing would work is this: If the five men in office when a Republican President was elected had been appointed by his predecessor, a Democrat, found themselves so far out of sympathy with what the Republican President declared to be his policies or on some policy on which he had been elected President, they would probably all resign at once, and then he would have to create a new bureau, or the heads of it at least. If they did not resign—let us follow the argument right through to a logical conclusion that was presented several times this morning—if they did not resign, what would happen? They would assemble the estimates, and they would put the budget up to the President as their policy, and, as you say, they might start a propaganda. The President would not for one minute take their estimates; he would get the estimates himself right

from his Cabinet officers and send them into Congress and ignore the budget bureau.

Mr. BYRNS. That that commission would be absolutely valueless!

Mr. LINDSAY. Of course it would then cease to function. But for that matter you can deadlock this Government at any time you please. Your whole Constitution, with its checks and balances, would not operate for 10 minutes except upon the theory of cooperation of the different departments.

Mr. GARNER. I think your suggestion that they would resign is correct.

Mr. LINDSAY. They would resign. How could self-respecting men stay in office, the kind of men you want and need in such a bureau. under such circumstances, even though they were to draw \$10,000 a year salary or anything else you want to pay them?

Mr. TEMPLE. You can not, of course, bind the President to accept their decision. He has the final decision.

Mr. LINDSAY. He has the final decision.

Mr. BYRNS. If you found yourself in that situation, where the President would not accept and use the budget commission, you would find yourself right back where we are to-day.

Mr. LINDSAY. You might. I admit that is a possibility. That means any machinery you set up could be deadlocked at times.

Mr. GARNER. I can show you a machinery, based on a different proposition, that will function. Your object is to hold the President responsible for his requests made to Congress?

Mr. LINDSAY. Yes.

Mr. GARNER. So that public opinion would be made to center upon the man responsible for asking for those appropriations. That is what you want?

Mr. LINDSAY. Yes; and, in addition to that, to get the picture complete, we want the machinery together in one place, to put before Congress and before the general public the requests, so that every one of them can be considered in relation to the whole.

Mr. GARNER. I propose to take your simple machinery and transfer it and make it effective. The President comes in on the 4th of March; you have a law providing a budget committee of five men. to be appointed by the President. He can take the old budget committee, or he can take as many members of it as he desires, or he can appoint a new budget committee, and they perform the functions you speak of. They center the minds of the people of the United States by formulating a certain budget which he sends to Congress. Then you have the same situation you spoke of a while ago. I do not believe the theory you have will work out with reference to a non-partisan, nonpolitical budget committee, for the simple reason this is a political form of government. Your object and your effort, so your brief states, is to center the minds of the people of the country on the President of the United States and the fiscal policies for which he assumes responsibility. I think you would get better results if you give him absolutely the power of removal of this budget committee.

Mr. LINDSAY. Perhaps you are right about that.

Mr. TEMPLE. Is it not true that the political parties express their policies in their expenditures and in their taxation? That is exactly where they do express them.

Mr. LINDSAY. Yes.

Mr. TEMPLE. And why, then, should it be so desirable that the budget committee be nonpartisan?

Mr. LINDSAY. My only thought is, if you can possibly do it—I am not convinced you can not do it, although Mr. Garner may be entirely right—if you can possibly do it, you want to create a situation where the normal thing is to have a group of technical experts like Mr. Willoughby and I found in the British treasury department. He and I found there men it was a delight to sit down and talk to, who had been in the service for 20 or 30 years, and had accumulated a lot of experience. I mean the big headmen; I do not mean the under-clerks at all. And if we could get that idea going, if you have a turn over in the Government in political parties, it would not be the normal natural thing for all of those men to get out, and the first thing the President would think about would not be that he had five budget commissioners to appoint. You do not want him to look on the budget bureau that way at all, but you want him to think he has a permanent, efficient, highly trained, and experienced budget committee to work with.

Mr. GARNER. In other words, you would have the law fixed so that when the President came into power, if he found five efficient men to render the service contemplated by the statute, he might use the five, or he might remove the five, or he might take one or two or three or four of them?

Mr. LINDSAY. Why would it not be better to have one vacancy occur each year so that he would gradually make that change, or if they were in sharp contrast with his policies, you will have them forced out?

Mr. TEMPLE. There is, of course, a very great advantage of having men in the budget organization who are men of experience and familiar with the work; but what other advantage is there in the continuity of the same staff after a change of administration?

Mr. LINDSAY. I suppose there would be certain traditions as to methods of handling business which it would be very desirable to have preserved from one administration to another.

Mr. TEMPLE. That is part of their experience.

Mr. LINDSAY. That would be very desirable, to have it continuous, if you can get it.

Mr. TEMPLE. You want competent, experienced men, familiar with the work of the various departments, and you do not want to lose that advantage?

Mr. LINDSAY. No.

Mr. TEMPLE. I think that is a very great advantage in having a continuing body, but when it comes to fixing policies, they have to take orders from the Executive and to express his policies in the estimates?

Mr. LINDSAY. Yes.

The CHAIRMAN. Why a staff of five? Why not a staff of one man with his staff of trained experts, who will continue on and on indefinitely? For example, Mr. John J. Fitzgerald was a great chairman of the Committee on Appropriations. He was followed by another great chairman, Mr. Swagar Sherley, of Kentucky.

Mr. HAWLEY. And Mr. Sherley was followed by another great chairman.

The CHAIRMAN. No. Now, they were signally successful. But I question whether either of them would have met with that same degree of success if their responsibility had been divided between five members of the committee. They had to assume the responsibility, and they were successful in a large measure—why? Because Mr. Fitzgerald accepted Mr. James C. Courts as the clerk of the committee, and upon his death, accepted the young man the committee had trained, Mr. Marcellus C. Sheild. Mr. Sherley stepped right in and appointed Mr. Sheild. And the chairman of a committee of that kind must rely on the high grade of ability that he will be able to command in men occupying that position. Now, take your budget staff: It seems to me in the first place, if you have one man the President will be able to get a man of a much higher grade of ability than he would be able to obtain if that responsibility were divided among five men where jealousies would creep in between the members and the President (that can not be avoided), and their responsibility would be so divided and scattered that no one man would be responsible to the President. Why not one man, and under him a corps of trained experts who will go on and on and on without regard to administrations, and giving that man the benefit of all the knowledge and all the experience and training of the experts along that line can afford?

Mr. LINDSAY. Mr. Chairman, I agree with you entirely as to the desirability of having a corps of trained men who will carry over from one administration to another under whatever head you have for your budget bureau, whether it is one man or five men. And I would expect, if you had five men constituting your budget bureau, your directors as Mr. Pratt called them this morning of the budget bureau, coordinate in power, that they would naturally have under them and they would develop various kinds of experts—men who would continue on. Now as to the question whether there should be one man or five men to head up the budget bureau, I am not particularly anxious to advocate five. It is possible you can start out with three, or perhaps you ought to have seven. But I will tell you why I feel very strongly that it is desirable to have more than one. You would naturally have a chairman who might be considered to have slightly superior rank. I mean the contact or dealings with the President might be through the chairman rather than through all the members alike. It would divide up this enormous work that is now divided up between many committees of Congress. A great deal of the work now done by many committees in the scrutinizing of the estimates would be done in the first instance by the Budget Bureau. Like a court of first instance sometimes handles cases that subsequently go in a digested form to a court of appeals, so the Budget Bureau would prepare the estimates for the subsequent scrutiny of the budget committees of the Congress. You are putting in a new procedure, creating a court of first instance to handle the estimates, and the work now done by your committee on appropriations and by 13 or more other committees that handle appropriation bills.

Now, you are getting your case prepared in a definite way to go to the court of appeals. You become the court of appeals; you are not giving up your authority there. Now the work is so large that I do not believe that one man could handle it; that is, he could ~~not~~ do it

effectively. Take his relation to the 9 or 10 Cabinet officers, for instance; every Cabinet officer would want to go to the head man; he would not want to talk to a subordinate. He would come in, especially if you are going to cut down his estimates, and raise a row anyway, and he would go right to the head man. And if you only had one head man, he could not deal with all the 9 or 10 Cabinet officers, and it would be a great deal better to have three or five or seven, so as to divide up that work and specialize that work with the various departments among the members of the budget bureau. My thought would be one man would become expert and more or less familiar with the State Department and the Treasury, and another man with the Army and the Navy, and another man with Interior, Commerce, and Labor, and so on.

Mr. HAWLEY. Why could not one man deal with all the heads of the departments if the estimates were to be submitted by the 1st of October, say? Then he would have till the 1st of December, two months, to make the amendments necessary.

Mr. LINDSAY. But if he had a fight on with every one of the 10 Cabinet officers I doubt if a whole year would be enough to handle it effectively. Why have you nine judges on the Supreme Court; why could not one man dispense justice on the Supreme Court? Why any more than the Chief Justice and then clerical assistants? Of course, there are other questions that enter into that.

Mr. TINKHAM. Perhaps this might throw some light on it: Can you tell us what the law and practice is in England with reference to this particular matter?

Mr. LINDSAY. With reference to the consideration of the estimates, of course, they are considered by a large staff in the treasury. They go to subdivisions of the treasury that have to do with the estimates of each particular department. That raises a question, too, that is very interesting, in the light of some of the discussion this morning about the procedure, about which I want to say something later on. The value of setting up a budget bureau, it seems to me—the great value in the result that would be obtained over the present practice—is that you would develop a continuous relationship between the spending departments and the supervisor of the estimates that you can hardly get now between the spending departments and the committees of Congress. We found in England that the spending departments, even the most important officers of the spending departments, were constantly going to the treasury to get information from the treasury—getting its advice—in advance, with a view to being in a favorable position when they came up with their estimates to defend their estimates before the officials of the treasury department constituting the budget staff.

Mr. TINKHAM. Do they have a general board of 5 or 10, or are there a number of smaller boards that do this expert work?

Mr. LINDSAY. There are a number of individuals. I do not know that they sit as a board. They all come under different divisions of the treasury department, according to the particular spending department.

Mr. TINKHAM. There is no central authority?

Mr. LINDSAY. No.

Mr. TINKHAM. In the preparation of the English budget?



Mr. LINDSAY. No.

Mr. HAWLEY. The English treasury is practically for that purpose.

Mr. LINDSAY. Of course, it is concentrated in the chancellor of the exchequer. He presents it.

Mr. TINKHAM. He gets it from these subsidiary bureaus?

Mr. LINDSAY. Yes. Now, a second leading question involved in a budget system is the consideration of the budget—that is, the procedure in Congress. The suggestion was made here this morning by Mr. Pratt—and I am in entire accord with it—that with a proper budget system Congress will have been relieved of some of the detail work that now takes up so much of the time and imposes a great deal of work on Members of Congress who serve on such committees as the Committee on Appropriations, and therefore Congress ought to be able to spend a great deal more time in taking up the larger questions of policy involved in the estimates and in the budget.

Mr. GARNER. Would not that result in almost the same practice as the practice we get now? With your one man as the head of the budget bureau, or five men as the head of the budget bureau, Congress comes to the conclusion directly that they are asking for too much money, and the result is that it summons the one man or the five men up here to be heard and says, "You are giving this bureau too much money; I want to know why you are doing it." It will resolve itself right back to what we are doing now. Mr. Good summons a Cabinet member up here, or some other official of the department, or he would summon your five men or one man and say, "Why do you need that money?" They give their reason why they need it. The appropriations committee may not agree with it. The result is you would not have the multiplicity you get now, because you would summon one man at one time to go entirely through the 10 Cabinet officers.

Mr. LINDSAY. Yes.

Mr. GARNER. That would probably be a central method of getting the information, but still Congress would have to have the information on which to appropriate this money.

Mr. LINDSAY. There might be many instances where you would want to institute a very searching inquiry, but you would probably concentrate that on a few big items. It would be some question like the appropriation of \$500,000,000 for the Army or \$300,000,000 for the Army, and there would be some big man there to explain and assume responsibility for a definite policy. You would not have him coming up on the little items. You sometimes have to spend a great deal of time anyhow. If you could get the consideration of the budget in the hands of one committee, made up perhaps, in part, of the chairman of the more important appropriating committees that you now have and the ranking member of the opposition on each of those committees, together with a sufficient number to give the party in power the control of the committee, then you could get every one of these estimates considered in relation to the whole amount necessary to meet the expenses of the Government and in relation to the revenues of the Government and any plans for increasing that revenue that might be proposed. You would also prevent, absolutely, what sometimes happens now. A matter is

given very careful consideration and investigation by one committee and decisions reached and the officer who wants the estimates goes around to some other committee and gets that matter considered without reference to the consideration given to it by the first committee, and sometimes it goes through Congress. That may happen as between committees of the House and the Senate, and it also may happen between committees in either House. Mr. Sherley will tell you, as he told me, of a very interesting case that happened when he was chairman of the Committee on Appropriations. A matter of very great importance, involving a large expenditure, was brought up in the committee and was referred to a subcommittee that gave it very careful consideration and came to a conclusion not to approve, and declined to recommend the appropriation of money for that purpose. The matter was introduced as an amendment to another bill in the Senate, was brought over here and went to conference upon which no person sat who had been in on the other inquiry and who knew about the painstaking investigation of the matter previously made and another decision reached. That sort of thing has happened, but it could not happen under this scheme if your proponent had to make his request for an appropriation first to the budget staff and the report of the budget staff went to one committee in each House.

Mr. GARNER. You would have the rules of the House provide that no amendment could be offered to an appropriation bill on the floor of the House the amount that was asked for by the budget committee or contained in the budget?

Mr. LINDSAY. Yes; not until after the budget is disposed of. Now, I want to especially emphasize this question of procedure in the consideration of the budget by Congress at this stage of your investigation, when, I understand, you desire to consider the underlying principles of an effective budget system.

The CHAIRMAN. The purpose of the committee is to thrash the whole question out.

Mr. LINDSAY. I realize you may, as the result of your deliberations, recommend a plan that will require a constitutional amendment. I have not advocated anything that Congress could not do by statute. At one stage of the budget discussion it was very strongly advocated that one remedy for the present difficulties would be to give the President authority to veto special items in appropriation bills. That would, I understand, require a constitutional amendment if you thought it was desirable to try that plan of increasing the responsibility of the President. Presumably most of your conclusions, however, will find expression in a bill where your plan can be put into effect by an act of Congress. Now, you may not want to amend the rules of the House by an act of Congress, and if you did, it would not accomplish more than a temporary result, because any subsequent Congress could make its own rules.

Mr. TEMPLE. Would it not also be possible for any subsequent Congress to change the rules, since the Constitution provides that each Congress shall make its own rules?

Mr. LINDSAY. Yes.

Mr. TEMPLE. And it would be impracticable, then, to put it in a statute?

Mr. LINDSAY. Yes; it would be impracticable to put it in a statute. But any budget plan, it seems to me, can only be fully understood by the public, can only be considered intelligently by Congress, in the light of what Congress proposes to do in its execution of that plan, and therefore I hope very much that your report of whatever budget plan you decide you want to recommend will include a very definite statement of your own views and wishes with respect to such procedure as would subsequently have to be adopted in the House.

Mr. HAWLEY. That is part of the resolution.

Mr. LINDSAY. Yes. It might be a question of instructing the Committee on Rules—I do not know what your procedure would be on that—to bring in amendments that would be consistent.

Mr. HAWLEY. The resolution creating this committee authorizes us to report on it.

Mr. LINDSAY. I think if you could so change your rules that the budget when it is received from the President, having been prepared by the budget bureau as the technical arm of the President's office, would be referred to a single committee (the present Committee on Appropriations or a new committee, a budget committee, made up either as your present Committee on Appropriations is made up or with representation of the special committees on the different departments) and would be first considered by the committee and reported to the House, with such amendments as that committee sees fit to make you would secure greater support for any plan you propose. Your rules ought to provide that the House would consider the budget in committee of the whole and adopt such amendments as it saw fit, whether those reported by the general budget committee, or any other amendments that it saw fit to consider, only, however, reducing items of appropriations and not increasing the items of appropriation or inserting any new items of appropriation, until the budget as a whole had been disposed of.

Mr. GARNER. You are taking away from the people the opportunity to express their sentiment concerning the policy of the Government. You are figuring on taking one man or five men to make up that budget and then you are going to send it to the committee. Speaking for myself, I think one committee should handle all appropriations in Congress, but I doubt if you can convince Congress of that fact. There are too many conflicting interests. And you are now going to say by that rule that the committee having reported on it, however much the other 400 men might not agree, under the rules of the House ipse dixit one man rising to make a point of order can take away from the public the right of establishing this policy of Congress.

Mr. LINDSAY. Mr. Garner, I have not completed that statement. I am only proposing to take away temporarily any power a Member of Congress now has until the budget as a whole for which the Executive assumes responsibility has been acted on.

Mr. GARNER. How are you going to restore it permanently?

Mr. LINDSAY. After the budget is disposed of. In the first place, such procedure would only take away part of the present power, namely, the right to increase or add to items of appropriation, not to decrease.

Mr. GARNER. You would adopt a budget without any amendment being allowed to increase it?

Mr. LINDSAY. Yes.

Mr. GARNER. Then you would provide that a Member might introduce a bill for any increased appropriation, and you would have the committee that refused to report the increase before consider his bill. Under the rules of the House, you can not consider that matter unless the committee reports it out; so under the rules of the House, you are absolutely depriving a Member of a vote on that proposition.

Mr. LINDSAY. I do not say that it should be referred to that one committee.

Mr. GARNER. I am putting all appropriations now in one committee, and it is bound to go to that committee for appropriation. You have agreed one committee is best, and you arrive at a conclusion now where you deprive Congress of the opportunity of saying whether or not they think this money ought to be appropriated.

Mr. BYRNS. And that is especially true in the short session of Congress.

Mr. GARNER. I am just as anxious as you or any one else can possibly be to hold down appropriations.

Mr. LINDSAY. Yes.

Mr. GARNER. But I do not believe that we ought to adopt any rule of the House of Representatives that would deprive them of the opportunity of voting directly on a question of public policy: For instance, not many years ago, we adopted a rule in the House of Representatives, giving an absolute right on a motion to recommit, to make an issue, a political issue if necessary, before the country, to put every man on record. Under your suggestion, we would not have an opportunity to move to recommit to increase that budget and to make a political issue of it in the country.

Mr. BYRNS. Can you think of anything that would more clearly centralize the whole power of this Government in the Executive than that? In other words, you would bring about a situation where a Member of Congress, if he had a perfectly proper proposition to his mind and to the mind of those whom he represents, one that should be adopted and for which money should be expended, you put upon him the necessity of going to the President or this budget committee in the interest of having it included in the estimates; or, if it was a going project, put upon him the necessity of suggesting to that budget committee the desirability of having it continued in their succeeding estimates. I do not know of anything that would tend more to put Congress under the domination of the Executive.

Mr. GARNER. Suppose we have a law on the statute books authorizing and creating a bureau for the purpose of doing certain work. Now, suppose the budget committee decides that it is a needless bureau and cuts it out. It comes to the Committee on Appropriations and they fail to recommend anything. You have the law or statute authorizing the creation of that bureau, and there is no opportunity for a Member on the floor of the House to offer an amendment to make that bureau function, under your suggestion.

Mr. TINKHAM. As I understand, he suggested a two-thirds vote.

Mr. GARNER. No; he has not yet.

Mr. LINDSAY. I have not yet, but that is my idea. It is true you are centralizing the power of initiation in the Executive that does not vest there now, and you are limiting the power of initiation that now vests in individual Members of Congress. But it does not seem

to me that it is going to be possible, at least I can not think of any other way, to get away from your present difficulties. We either do not need a budget system at all, and can get along very well with what we have, or you have to face that issue. That is the most vital and fundamental thing in the whole proposition.

Mr. BYRNS. Can not you face it without conferring that power on the Executive?

Mr. LINDSAY. That is what they do in the English system of government and it works out very well there. Here if I want to build a project, if I want legislation for anything, to do anything under the sun, it is altogether too easy for me to get the thing considered or at least printed in the form of a bill. Any Congressman will generally introduce a bill by request for one of his constituents and it is possible you can get it along far enough to get a hearing on it and have it considered by a committee. But you can not do that in the British Parliament; you have to go before an executive officer. They appoint a deputation to call on this or that or the other executive officer to get him first to assume responsibility for it.

Mr. GARNER. If you lived in my district, I am satisfied you would not vote for me. There is a Member of Congress now who made himself famous, and he is absolutely correct when he says it is a body of majority rule. That is Mr. Cannon. Let me take a concrete case. Suppose Congress adopted the rule you suggest, and there came along, like there did the other day, a proposition to increase the compensation of the postal employees of the United States by \$150. The rule would prohibit the Representative from doing that. It would revolutionize the House of Representatives. You can not do it. In other words when the majority of the House wants to do something and really wants to do it, they are going to find a way to do it. I do not believe that any rule you can possibly suggest could be adopted in the House of Representatives that would contravene the wish of a substantial majority.

Mr. LINDSAY. Is not the difficulty at the present time that you do not know when a Member proposes to pay \$150 increase to the postal employees how many other proposals are going to be made to appropriate money for other things?

Mr. GARNER. Yes.

Mr. LINDSAY. Therefore you would not have the advantage without the rule I propose of having your appropriation considered in relation to national finances as a whole. Congress would not have to vote blindly as it does so often without that rule. It would find some way to appropriate the money if the political pressure was strong enough, the two-thirds vote could be found.

Mr. GARNER. You have arranged your budget system so that the House of Representatives can not go higher than the budget. You have arranged for that.

Mr. LINDSAY. I say it will have to dispose of the budget first.

Mr. GARNER. I want to ask you what you are going to do with that budget over at the other end of the Capitol?

Mr. LINDSAY. The same thing; I would put precisely the same limitations on the procedure of the Senate. [Laughter.]

Mr. GARNER. Suppose the House of Representatives passed the budget up to the limit of the amount estimated, would you say to the Senate, Gentlemen, you can not put on a dollar, because we are



up to the limit? I do not believe you could get the Senate to do that.

Mr. LINDSAY. If I had my way about it I would not let the Senate have anything to say about it at all. That is a little far afield, but we would get a great deal better national financing if it had to be handled by one house, and that of course ought to be the representatives of the people, the House of Representatives.

Mr. TINKHAM. Would not you compromise on a two-thirds vote to make a change?

Mr. LINDSAY. Yes. But I do not think Mr. Garner has my point yet, that this proposal amounts to only a temporary suspension of the rights and privileges of Members of the House now. I do not say they could not make any amendment at all, but I would restrict this for a while, that is, until after the budget is disposed of.

Mr. TEMPLE. That is in each session?

Mr. LINDSAY. In each session.

Mr. TEMPLE. Until the budget is disposed of?

Mr. LINDSAY. Until the budget is disposed of. I would restrict it only as to increasing old projects or creating new projects. A Member would have all the power he now has and if, as Mr. Good said this morning, 90 per cent of the proposals of Congress in dealing with estimates are to decrease, the rule ought not to be very burdensome on Members. He would proceed then by going to the budget committee in advance. After the budget is disposed of as a whole, a Member would have all the rights of initiation of financial measures that he has now. If you have some new service, or if you want to increase taxes or raise more money, then let those projects come along. Let your increases in the salaries of postal employees be proposed as as a new measure.

Mr. BYRNS. What would that be worth? Here is the President who submits the estimates, and he says, "This is all the money that we want next year." Then Congress comes along by a clear majority in both houses and says, "We want this." Now, the President has put his signature to the fact that we ought not to have it, and what would be the fate of that bill when it reached the Executive?

Mr. LINDSAY. Of course, he might veto it. Your present system is one of divided responsibility and you do not let the President take the responsibility, because he can not veto single items in an appropriation bill.

Mr. GARNER. That is a constitutional provision.

Mr. LINDSAY. That is the result of the present system.

The CHAIRMAN. I think you will all agree as a fundamental proposition that we ought not to deprive Congress or its Members of their broadest powers unless we are satisfied that there is some abuse of those rights which lead to extravagance in the matter of appropriations. We ought to be able to start out agreed on that proposition. For instance, take the work of this Congress, so far as the work of the Committee on Appropriations is concerned. In the first place, we reported out a bill carrying something over \$45,000,000 for the Bureau of War Risk Insurance and for pensions. It was not changed by a single penny by any amendment on the floor of the House or in the Senate. The next bill was the railroad bill carrying \$750,000,000 for the Railroad Administration. It was not changed

at all by either House of Congress, but was accepted as it was reported out by the Committee on Appropriations.

The next bill was the third deficiency bill, which was reduced on the floor of the House by \$300,000 by the making of points of order, which every Member has the constitutional right to do, and that right should not, and I doubt if it could be, taken away from him. The bill was not reduced by any amendment offered, but simply by making points of order that the appropriations were not authorized by law. Next was the sundry civil bill carrying \$607,000,000, and, aside from the reductions brought about by points of order, my recollection is that there was only one increase, and that was \$100 that was put on that bill. The next was the first deficiency bill of this Congress carrying \$14,000,000, and the only amendments offered on the floor of the House were one for the Japanese beetle, where an appropriation of \$25,000 was voted, the amount estimated being \$70,000. In that case the committee had not reported out anything, and the amendment was practically accepted by the committee. I think the other amendments were offered by the committee and were unopposed. Every amendment offered by the committee, with one exception, had been estimated for, and more had been estimated by the departments than was allowed. In one that had not been estimated for by the department, the department had come before the members of the committee and explained the fact that by carrying an appropriation which the department had estimated for there was created a condition in the department under which they could not properly function, and therefore it would be necessary, and they convinced the committee that it would be necessary. I should have said that the first deficiency bill did carry two items not estimated for.

It has always been the custom of Congress to pay the wives of deceased Members an amount equal to a year's salary of the Member. Those two items were offered on the floor of the House, and of course were unopposed. They were items that would not be estimated for. The next was the District of Columbia appropriation bill carrying \$15,000,000. The only amendment to that bill on the floor of the House was one to reduce an appropriation. The reduction was \$2,000. There may be instances where there has been some abuse of the thing that you speak of, but it seems to me that unless the abuse was somewhat general and led to extravagance and a waste of money. Congress would hardly be warranted in creating a condition or change in the law that would take from Members rights that they have had from time immemorial.

Mr. LINDSAY. But if those rights are not exercised, they are not worth very much. It seems to me that your statement supplies the evidence that supports my argument. I can not see any objection to this limitation. If practically all of the action of the Members is to reduce, I do not see where there could be any objection. When you come to consolidate all of these things in one budget bill or one budget appropriation, of course, you will find that there will be a still greater temptation to put in new things that will upset the balance upon which the President assumed responsibility.

Now, it seems to me that it is not fair to the President to do that until after you have passed upon the measure. I am asking you to temporarily suspend those privileges or rights, but not to give

them up, until you have disposed of that. Then you have a financial plan in which there is no element of guessing. I might come to you with a proposition to spend a hundred million dollars on the reclamation of waste lands or for some other things that I think are desirable. You can not tell me whether we can afford to do that, or not, and nobody else can tell. No officer of the Government can tell, because no one knows what the balance will be. But if you had a budget presented, fully considered and disposed of, then you would know where you stood. Then it would be perfectly proper to put up to the President a lot of things by way of omission or things that had been overlooked, which, of course, he would approve or at least consider as projects that the Members of Congress wanted to have considered that had not gone before the budget committee. There would also be the additional advantage of putting a premium upon Congress disposing of the budget at the earliest possible moment, and not leaving it until the end of the session, if that could be done. In fact, I am not sure but what it might be desirable to have an amendment of the rules that would give the budget the right of way, or, perhaps, to require the general budget committee to report the budget early in the session, as it is done in some of the State legislatures, and then giving it some kind of right of way.

Mr. GARNER. Appropriation bills have the right of way.

Mr. LINDSAY. Yes, sir; that would hasten it, and that would give you time.

Mr. GARNER. There would be some danger in having a rule that would require the Appropriations Committee to consider the budget and report it within a certain time. The committee might not be through with the hearings and investigations by that time. The presumption is that they would report it at the earliest possible time anyway.

Mr. LINDSAY. I mean that they should do everything they could to get it in early.

Mr. TEMPLE. Would there be any advantage in having the budget bureau report two bills, one for the going activities of the Government, and one relating entirely to new projects?

Mr. LINDSAY. It seems to me that I would not divide that responsibility in the budget bureau. I would not hold them to one consolidated bill, and as far as supplementary appropriations go, I would, perhaps, require a two-thirds vote so as to penalize or discourage supplementary measures. This would force back into the budget committee in succeeding years every new project.

Mr. TEMPLE. The question of policy would be more likely to arise in connection with new projects than in connection with going things.

Mr. LINDSAY. You would change the center of gravity of the whole present system. You would compel everybody or every Member of Congress who had a new project for which he wanted money from the Treasury of the United States to go to the budget commission and have it first considered there and reported upon through the regular machinery. That would mean consideration in relation to the total expenditures of the Government and in relation to the total revenues of the Government. I think we will all agree that that is a desirable object.

Mr. TEMPLE. New projects might generally require new taxation.

Mr. LINDSAY. It seems to me that you could accomplish that result without reducing in the slightest degree the prerogatives of Members of Congress as they now exist under the Constitution. You might have to postpone the exercise of certain rights until the budget is disposed of by each Congress.

Mr. GARNER. If we ever got to the condition in this country where the President would send a budget to Congress for which he was responsible, and then if Congress should take the responsibility of increasing it, you would have that issue in every Congressional district, but when you have a condition where the executive branch asks for more money than Congress gives, how can Congress be charged with extravagance? Therefore, if you would centralize the public eye on the executive branch of the Government, your association would be bringing attention to the people who are endeavoring to spend too much of the peoples' money.

Mr. LINDSAY. I would concentrate attention on the executive end of the Government. Now, as to the debate in the Committee of the Whole: That was referred to this morning, and I would like to say one more word on that subject. After you get your report and after you have your budget made up by your staff of experts in the budget bureau, and reported to your committee, the House gets it in Committee of the Whole.

The CHAIRMAN. I want to ask you a question in regard to the details of the budget. As compared with the present book of estimates, would you arrange them by bills, or would you arrange them by activities or functions of the various departments of the Government, and, if so, would you do that in greater detail than is now furnished in the book of estimates?

Mr. LINDSAY. I think I should arrange them by functions. I think that would be a matter that the budget staff would naturally work out. You may remember that President Taft's commission on economy and efficiency prepared and presented a budget. Mr. Willoughby remembers that commission. It seems to me that that was arranged by functions.

Mr. WILLOUGHBY. No; I think that was arranged according to organization units.

Mr. LINDSAY. The English budget is arranged by functions, is it not?

Mr. WILLOUGHBY. No, I do not think it is.

Mr. LINDSAY. If you could do it, I would prefer in the preparation of the bill to arrange it as far as possible by functions. I do not see how you could do otherwise than have a series of bills, or follow the British plan of voting on it by sections. If the House votes on it by sections, you would get a record vote by functions. Now, as to consideration in the committee of the whole: I think the rules ought to provide that the Cabinet officers, the heads of the executive departments, independent bureaus or boards, if there are any not under Cabinet officers, and the directors of the budget bureau should have part in the debate and should be required or permitted to speak, but not to vote. That is where you could get your public interest, because the responsibility of the Executive is not only that of the Chief Executive, but rests also in part on the Cabinet officers.

As the Chairman intimated this morning, I know of no better way of developing an intimate knowledge on the part of a Cabinet officer of what his department is doing and ought to do than to compel him publicly to reveal his ignorance if he does not know. He would have to appear in the committee of the whole, and he could not send experts or anybody else to talk for him as he does before the appropriations committee. You would know what he stood for, especially if the estimates had been cut down by the budget bureau.

The CHAIRMAN. Well, sir, my own opinion is that he would want even greater power of extending his remarks in the Record than the Members on the floor. [Laughter.]

Mr. LINDSAY. Well, you could afford to give him a few pages in the Record if you accomplished the result desired.

Mr. GARNER. The main thing that would tend to reduce expenditures is centering on the men who are responsible, and if you can get a budget, that is all I want, and that is all I do want and the purpose for which I want it. Now, if the Congress went over the amount they said they needed, if they exceeded that amount, that responsibility should be centered on the men who gave the money; and the Member of Congress who was responsible for that, a man in his district would be running against him, and be saying to the people of the district and to him, "You gave more money for this extravagant purpose than the President said he needed, and if you send me to Congress I will stop this extravagant practice."

Mr. LINDSEY. As the chairman says, that would be an exceptional situation and would give you a splendid issue, and would give you the kind of publicity that you would like to have for Congress. And you will get that on the reduction side if you have a Cabinet officer there making a public protest about it.

Mr. GARNER. If you can get any system in this country where the issues in the elections in the congressional districts will be the economical policies, you will remedy the whole situation, because you will elect men to Congress who will look at the financial side of it. You will not find now in 10 per cent of the congressional districts where the question of expenditures is debated in the elections. I think it will be more so in the future, because taxes are so high men will declare themselves on the question of taxes.

The CHAIRMAN. Public attention has been called somewhat by magazine articles and articles appearing in the daily press with regard to the extravagances of Congress in appropriating money for public buildings—pork barrel appropriations, so called. I do not know whether your attention has been called to it or not, but the fact is, even the most unjustifiable expenditure of public money for that purpose so far as appropriations are concerned, is always estimated by the executive departments.

Mr. LINDSAY. For the Post Office Department?

The CHAIRMAN. For building public buildings—the Treasury Department makes its estimate for that. The difficulty arises not so much in the appropriations as in the authorizations for the buildings; it is not in the appropriations of the money, but it lies in the first instance in authorizing certain work that should not be authorized. After it is authorized the law and the duty is upon the executive department to make an estimate.



Mr. TEMPLE. Would it not be well at this point to call attention to the fact that the committee which reports bills authorizing public buildings has no authority to appropriate money for it?

The CHAIRMAN. Yes; that is true. It is authorized by one Congress, and then in a subsequent Congress the estimates come in, and the same thing is true with regard to the rivers and harbors bill. Those estimates are always approved by the Chief of Engineers of the War Department.

Mr. TEMPLE. In estimates and contracts.

The CHAIRMAN. I do not recall an instance where an amendment has been adopted on the floor appropriating money for a river and harbor improvement or for a public building that has not been already authorized, or where the department has not estimated for its cost.

Mr. GARNER. The criticism that I have heard has all been directed at Congress. Yet in the last 10 years there has not been a single item in that time passed Congress with reference to the rivers and harbors improvements that was not recommended by the Chief of Engineers, and also recommended by the Secretary of War, and sent to Congress with a recommendation that an appropriation be made for it; and yet we do not hear any criticism of them, but we hear criticism of combine and log-rolling in Congress; but there is not a single item in the last 10 years that the executive department has not said that it was desirable to be built for commercial purposes.

The CHAIRMAN. I have always found myself, as a Member of the House, opposing the executive budgets for rivers and harbors, because I thought it was too much.

Mr. LINDSAY. A real budget system such as we have been discussing here would make that fact clear to the public; undoubtedly the public has the other idea, as you say.

Mr. GARNER. And the public eye is focused not on the man who recommends it.

Mr. LINDSAY. I have heard it said time and again that appropriations are made for post-office buildings because a Congressman wants a nice building in his district, when the Post Office Department said it did not want the buildings and did not need them.

The CHAIRMAN. I think that is often true, but that is in the first instance in the authorization. The Post Office Department has, I think, opposed the erection of certain buildings where they were not needed.

Mr. TEMPLE. Still there are a number of Congressmen who refuse to introduce a bill that has not been referred to the Supervising Architect and has his recommendation.

Mr. TAYLOR. I do not believe there are many bills reported out of that committee that are not recommended by the Supervising Architect.

The CHAIRMAN. It is also a fact that from the foundation of the Government up to the outbreak of the war the expenditures for construction of all public buildings under the Treasury Department, including post-office buildings, United States court buildings, and the like, did not amount to three-fourths of 1 per cent of the total Government expenditures; and if we extended that to the present time, they would not amount to much more than one-fourth of 1 per

cent; and if you eliminate that undesirable or unnecessary class of post-office buildings, say in towns under 10,000 people, I doubt if that percentage would be as much as one-twentieth of 1 per cent. That is a negligible quantity.

Mr. TAYLOR. And yet we hear a world of criticism of that one item.

Mr. TEMPLE. The gentleman from Texas, Mr. Garner, pointed out that it is due to the system of estimates; that we should concentrate on the responsible persons.

Mr. TAYLOR. I want to say that I have watched that Committee on Public Buildings and Grounds a good deal and I do not believe that they have reported out a bill that is not recommended by the Treasury Department and the Supervising Architect.

Mr. GARNER. I think they have built buildings where they should not have built them.

Mr. LINDSAY. I just want to add one more word. I have no objection to being "the goat," so to speak, in some of the questions that have been asked when they bring out so many interesting facts from members of the committee. [Laughter.] But I will plead not guilty, if I am supposed to be the author or abettor of all these criticisms leveled at Congress.

The CHAIRMAN. You are not on trial.

Mr. LINDSAY. The whole argument, it seems to me, can be summed up and the question of the plans for an Executive budget, which the National Budget Committee advocates, has for its purpose the consolidation of most of the activities that now go on in hands where they can be performed in the light of publicity that will enable us to fix responsibility and concentrate interest in a way that will better fix responsibility. You can not wisely divide responsibility. The present system divides the authority and responsibility for the preparation of the estimates among 10 Cabinet officers and two or three departments of the executive Government. Likewise, you divide authority and responsibility under the present system when you leave the examination and criticism of the estimates to 21 committees of the two Houses. Now, if you can get one committee in each House to consider estimates and appropriation bills which have been first prepared and criticized by one central expert budget staff, you can without constitutional amendment work a veritable revolution in orderly and economical Government and at the same time increase rather than diminish the prestige and the powers of the Members of Congress. It means simply a redistribution of work in a way that would give us a greater concentration of authority and enable us to fix responsibility.

I have in my hands here a copy of a speech made by Mr. Root before the constitutional convention of New York in 1915, on August 30, 1915. It is printed in the proceedings of the constitutional convention under that date. It is entitled "Invisible Government." He is discussing a problem of governmental organization in that speech. He is not discussing the budget problem, but it is the same problem that you have to consider in the budget problem. I do not know but you may intend to have Mr. Root here before the committee and he may say this same thing to you, or something better, on this problem, but I would like to call your attention to

that speech and especially in closing my remarks to quote two or three sentences from that speech, which seem to me to throw a good deal of light on the difficulties which you will have to meet in framing a reorganization of our financial methods. There are difficulties that have been referred to, and a good many questions have been asked here to-day. A certain hesitancy on the part of Members of Congress to consent to any change in the present method of doing things. The mere suggestion of a change does not mean that the man who operates the present system is dishonest or is not doing his full duty, but it may be that the system under which he is working, for which he is not individually responsible, is either a bad system or is not as good a system as could be devised.

Mr. Root said, in connection with the change that he proposed, to vest in the governor the power to appoint certain State officers who were previously elective officers:

Mr. Chairman, there never was a reform in administration in this world which did not have to make its way against the strong feeling of good, honest men, concerned in existing methods of administration, and who saw nothing wrong. Never! It is no impeachment to a man's honesty, his integrity, that he thinks the methods that he is familiar with and in which he is engaged are all right. But you can not make any improvement in this world without overriding the satisfaction that men have in the things as they are, and of which they are a contented and successful part.

That seems to me to sum up some of the difficulties that we will all have to face if you propose any change in existing methods. But if you devise a plan to consolidate authority and responsibility that is now diffused in the preparation of estimates and in the handling of the estimates in Congress and in the preparation of the appropriations necessary to carry on the Government, it seems to me you can get something that will give us a very much better system than the present system and one that will make for public discussion and for public understanding of those questions and thus secure a more intelligent appreciation of the work that Members of Congress are trying honestly to do with such imperfect machinery as we now have.

Mr. CAMPBELL. I have missed much of your suggestion as to how to save money. I have been helping to save \$468,000 in the last few hours that was asked for by the War Department. They asked for \$580,000 to do a work that they said was imperative and that they must have the money. A few men on the Committee on Military Affairs objected. The Committee on Military Affairs brought the matter to the committee of which I am a member, asking for a rule. We generally ask some questions when they come with a divided report from any committee of the House. If the committee is unanimous, the Committee on Rules usually feels as though they should give a rule for the consideration of the matter. But in this case some of the members of the Committee on Military Affairs came in, and one member made a vigorous protest. We held the matter up for about six weeks. We finally got the War Department to say that they could get on with \$116,000. Now, there was a fight between the executives and the Congress covering a period of six or eight weeks on a matter of saving money, and the executive department that was trying to spend the money, and yet the general impression is that Congress is the wasteful side of the equation. Many of the writers upon the budget go upon the theory that Congress is the

branch of the Government that the public should be protected against.

The CHAIRMAN. Do you desire to discuss the question of control and audit of Government accounts?

Mr. LINDSAY. No; I think not, Mr. Chairman. If you have some question that I could answer, I would be very happy to do so. I assume, after you get through with these general hearings, you will formulate your conclusions in a detailed bill of some kind, and that perhaps there will be hearings upon that or opportunities for discussion of its several details.

There is one matter I had in mind that I had noted here, but it seems to me it is rather inappropriate to take it up; that is, the matter of the segregation of appropriations. We made that mistake in New York State. To develop a greater efficiency and control we have a highly segregated budget; and the result is that we have taken away the ambition to save money on the part of the officers, especially of subordinate officers, who are dealing with a few thousand dollars; they have to estimate so long in advance, and they have to make a margin of allowance and ask for more than they need for any given year. A new need comes up in some other department, and they can not use that money, and they do not like to let it lapse into the treasury, so they go to work and buy things they do not need or things that they would normally ask for under other items of appropriation. Now, if you have a properly organized appropriation, you should make provision to allow for some transfers, if with a fairly liberal system of lump-sum appropriations.

But these questions, perhaps, had better be taken up on the specific detailed discussion of the bill when you get to that stage.

The CHAIRMAN. My inquiry was directed because I knew you had made a detailed study of the English system, and I wondered whether you had come to the conclusion that there was need in this country for some office similar to that of comptroller and auditor general?

Mr. LINDSAY. I do feel favorably inclined to that position. I think I said at the outset that I was wholly in accord with what Mr. Pratt said this morning. That is one point however concerning which there may be a difference of opinion. For instance, the point he raised this morning of control of the Executive over the comptroller—I think it would be very much more desirable to have an independent comptroller.

The CHAIRMAN. Comptroller of the Treasury?

Mr. LINDSAY. Yes; Comptroller of the Treasury.

The CHAIRMAN. We thank you very much.

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TUESDAY, SEPTEMBER 23, 1919.

**STATEMENT OF MR. W. L. CLAUSE, CHAIRMAN OF THE COMMITTEE ON BUDGET, UNITED STATES CHAMBER OF COMMERCE.**

Mr. CHAIRMAN. Mr Clause, you are the chairman of the committee on budget of the United States Chamber of Commerce?

Mr. CLAUSE. Yes, sir.

The CHAIRMAN. You desire to make a statement before the committee with regard to the attitude of your committee?

Mr. CLAUSE. My statement will be very brief. Of course, we wish to thank the committee for this privilege and for this opportunity to file with it a brief, which represents the results of the study of the United States Chamber of Commerce committee.

The chamber has called to its assistance on this subject men, some of whom have made a lifelong study of this problem—Dr. Goodnow, of John Hopkins, who needs no introduction before you, and who is going to appear before you soon, I understand. He is chairman of the commission in the State of Maryland which revised their financial system there, and he is also personal adviser to the governor. He was also personal adviser to the Republic of China in the reorganization of its system. Then Mr. Willoughby, who was also a personal adviser to the Government of China in the same capacity. We have various other members on the committee; Mr. Goodwin, who is general secretary of the Chamber of Commerce of the United States, has also given this subject a great deal of study for a great many years, and Mr. Belcher, who is secretary of the committee, has also devoted a great deal of time and study to this subject. And this brief sets forth the final conclusions of the chamber on this subject.

The chamber has been on record with regard to this matter from the very beginning. The first referendum that the chamber took was on this question of a national budget, and the vote was all but unanimous in favor of it.

Mr. TINKHAM. What was the date of that vote?

Mr. CLAUSE. 1912, I think. The chamber, I think, was organized in 1912 and that was the first referendum.

There is just one observation I wish to make on the general subject, which is probably unnecessary, because it may have occurred to you, who are much more familiar with the subject than I, and that is that as long as the Government had more revenue than it had expenses there was no imperative need. Perhaps it would have been a good thing if we had had a budget then, but there was no imperative need for it. Now, however, when we have suddenly come to the time when our expenditures vastly exceed our revenue, the necessity for action of this kind seems self-evident to the committee, and I think it seems equally self-evident to Congress.

Gentlemen, I thank you.

Mr. HAWLEY. May I ask you a question about your chamber of commerce?

Mr. CLAUSE. Certainly.

Mr. HAWLEY. I suppose like all Members of the House I from time to time get letters from them regarding certain activities and votes that are taken.

Mr. CLAUSE. Yes.

Mr. HAWLEY. I have often wondered to what extent the local bodies to whom you have appealed have given careful, detailed, intelligent study to the matters submitted to them. What information have you as to the amount of study given by the local bodies?

Mr. CLAUSE. I can answer you best by telling you what happens in Pittsburgh, for instance, where I live. The question that is sent out for referendum comes to the local chamber, and the local chamber studies the question first; that is, the executive officers do. Then they



select from their membership a committee they think is best qualified to understand those problems—the problems that are suggested in that referendum—and they hold as many meetings as are necessary to organize and study this matter carefully.

Mr. HAWLEY. What do you mean by study? Do they hold hearings at which competent witnesses appear——

Mr. CLAUSE. No.

Mr. HAWLEY (continuing). And read books?

Mr. CLAUSE. Yes; they read books and do whatever reading is necessary, but they do not hold hearings so far as the Pittsburgh chamber is concerned. But they make a study of the problem; they have a preliminary meeting at which the matter is presented, and then they adjourn and give it such study as it needs and then have another meeting, or perhaps they have two or three meetings, at which they discuss it, and finally they reach a conclusion. That conclusion is referred then to the chamber as a whole, and the whole chamber votes on the report of this committee. That is the way the matter is handled there. I will be glad to answer any question you may wish to ask about the machinery of the chamber, but so far as any questions you may wish to ask about this brief the chamber of commerce has submitted I refer you to Mr. Willoughby, Mr. Goodwin, and Mr. Belcher, who are here and who are vastly better qualified than I am to discuss this subject with you because they have given it lifelong study.

Mr. TINKHAM. Does each chamber of commerce have one vote, Mr. Goodwin?

Mr. GOODWIN. Each chamber has votes from 1 to 10, according to the strength of its membership. No chamber, however large, can have more than 10.

Mr. TINKHAM. How many chambers are there all together affiliated with the central organization?

Mr. GOODWIN. Twelve hundred and two.

Mr. CLAUSE. With a total membership of something like 600,000.

The CHAIRMAN. You desire at this time only to present the brief, and then subsequently Mr. Goodwin will go into the questions with regard to the brief or questions with regard to the organization of the chamber?

Mr. CLAUSE. And Mr. Willoughby will be here also.

Mr. GARNER. Are the names of the gentlemen who prepared that brief attached to it?

Mr. CLAUSE. No. I gave the authority. There are some other gentlemen, and that full list of names is not on the brief.

The CHAIRMAN. Your committee on budget and efficiency is composed of yourself; Paul W. Brown, of St. Louis; C. K. McClatchy, of Sacramento; W. J. Cowles, of Spokane; Frank J. Goodnow, of Baltimore; Herbert G. Stockwell, of Philadelphia; George G. Tunnell, of Chicago; and Wm. F. Willoughby, of Washington.

Mr. CLAUSE. This report has been acted upon by the entire chamber.

Mr. GARNER. This brief you file?

Mr. CLAUSE. Not that brief, no; but it has been set forth in what has already been presented.

Mr. GARNER. The main thing is, you appear before the committee and we want to know who is responsible for the brief.

Mr. HAWLEY. Does your plan set forth a budget system?

Mr. CLAUSE. Yes.

Mr. HAWLEY. And all the machinery necessary?

Mr. CLAUSE. Not all the machinery. It would require a much more elaborate and larger brief than that.

Mr. HAWLEY. In submitting this question to the Chambers of Commerce throughout the country, did you submit to them a detailed proposition and did they vote upon a number of details?

Mr. CLAUSE. No; not the details.

Mr. HAWLEY. You just asked them if they wanted a budget system or not?

Mr. CLAUSE. No; on that original referendum—there is an original referendum that antedates my connection with the chamber or with the committee, so far as that goes.

Mr. HAWLEY. Does this contain an outline of a budget system that could be written into legislation?

Mr. GOODWIN. Yes.

Mr. HAWLEY. And the chamber voted upon each separate proposal?

Mr. GOODWIN. No; they voted on the plan as submitted.

Mr. HAWLEY. As a whole; you do not know whether they voted on the individual propositions and whether all the propositions submitted as a part of the plan have been approved?

Mr. GOODWIN. No.

Mr. CLAUSE. The adoption of a real budget system for the United States Government has had the support of the Chamber of Commerce of the United States almost since the chamber's organization in 1912. The first referendum ever held by the chamber was the submission of this question to its organization members in October, 1912, and resulted in a vote of 573 to 10 in favor of a national budget.

Since that date the membership of the chamber has increased until today it includes about 1,200 trade organizations and local chambers of commerce representing in their membership over 600,000 individual business men from every section of the country and from all its dependencies. Repeatedly since the referendum of 1912, the chamber, at its annual meetings attended by thousands of representatives of American business, has declared itself in favor of this business reform.

The conditions growing out of our participation in the war, involving the expenditure of sums undreamed of before, as well as the steady extension into new fields of the activities of the Federal Government, only emphasize, in our minds, the pressing importance of some change in our method of estimating expenditure needs of the Government and of appropriating money for the running expenses of government. Facing the problems of post-bellum reconstruction, the National Chamber, at its seventh annual meeting in St. Louis, adopted, on May 1 of this year, the following resolution:

A national budget will introduce standards of business in correlating income and outgo, and afford information as to the disposition and sources of public funds. Expenditures of the Federal Government have reached such a point

all earlier contemplation. Taxation and borrowing have assumed proportions hitherto unknown. Through referendum and by vote of delegates in annual meeting this chamber has repeatedly advocated a budget system as a means of introducing business methods in the Government's fiscal affairs. We reaffirm these declarations.

It is the firm belief of the national chamber that without a budget system we can not hope for any satisfactory check on extravagant expenditure of public money or for any material reduction of Federal taxation. As we see it, the great evil in our present system of raising and spending money is not so much the lack of willingness and effort to reduce but the use of methods which prevent, not only Congress but the public from obtaining any clear idea of the purposes for which money is appropriated and how it is spent. At the present time the book of estimates is arranged with a view to fitting in with the committee organization of Congress and the appropriation bills which Congress passes every year. It does not give in any one place a clear picture of department organization, as a whole, or of the program of work for the next year. Congress necessarily goes at the problem blindly, and the public is worse off. Neither can pass judgment on what has been done or what it is proposed to do.

A national budget system, however, is designed for the very purpose of enabling all the parties concerned and the public most of all to know what is going on. Under it the executive must clearly show what he proposes to do for the next year, how his department is organized or is to be organized to do it, and why his program shall be approved. Congress, with all the facts clearly before it, must pass on the wisdom of the executive's proposals, rejecting what it thinks unwise and approving what it deems in the public interest. And all the time the public has before it the information which will let it decide what its public servants have done and propose to do with its money, passing judgment as the issues arise, and making its opinions felt in the settlement of current questions of public policy. This, above all other things, is what a budget system will do; the public will be able to understand why and how its money is spent, and until it does so understand we can not look for any real reduction in the high cost of government.

Since 1912 the chamber has had a special committee on budget and efficiency which has given intensive study to the problem. In a report submitted to the chamber at its St. Louis meeting this year the committee laid down certain principles which it regards as fundamental to any sound budget plan. These principles are as follows:

#### FORMATION OF BUDGET BY THE PRESIDENT.

That annually, as soon after the close of the fiscal year as is feasible the President shall cause the following steps to be taken:

1. The submission to him by the Secretary of the Treasury of the following statements:

(A) The condition of the Public Treasury as shown by current resources and obligations of the Government at the end of the fiscal year just closed, and, if feasible, for a service of years preceding.

(B) The revenue and expenditures of the Government during the last completed fiscal year and, if feasible, for a series of years preceding.

(C) Fixed charges and appropriations and estimated revenues for the fiscal year in progress.

(D) Changes, if any, which, in his opinion, should be made in the revenue system having for their purpose the increase or decrease of the national revenue. The statements called for under (A), (B), and (C) should present the data classified and totaled in such a way as to show clearly their nature.

2. The submission to him by the heads of all departments and other Government establishments of comparative statements showing in detail (1) their expenditures for the fiscal year just closed, (2) appropriations for the year in progress, and (3) estimates of expenditure needs for the year to ensue.

Such statements shall be submitted in such form and with such supporting data as the President may prescribe.

3. Upon receipt of the foregoing statements the President shall cause to be prepared a budget which shall set forth in detail:

(A) The condition of the Treasury as shown by current resources and obligations at the end of the fiscal year just closed and for a series of years preceding:

(B) The revenues and expenditures of the Government during each of said years;

(C) The fixed charges and appropriations and estimated expenditures during the year in progress; and

(D) The provisions which, in his opinion, should be made for meeting the revenue and expenditure requirements of the year to ensue.

These statements shall be in all cases in the form of balanced statements and the data contained in them shall be so grouped and totaled as to furnish a clear idea of the nature of the resources and obligations of the Treasury, appropriations in force, revenues and expenditures.

The statement of provision to be made for meeting the revenue and expenditure requirements of the Government for the ensuing fiscal year shall represent the provision which in the opinion of the President, should be made for those needs, regard being had by him to the general policy which, in his opinion, should be followed in respect to work programs of the Government to be undertaken, and the manner in which such programs should be financed. The budget, in a word, should represent his judgment as to the financial and work program that should be adopted for the year to be financed.

The preparation of this budget should be handled by a special service organized by the President for the purpose, working under his immediate direction and instructions and directly responsible to him.

4. Immediately upon the assembling of Congress in regular session, the President shall transmit to it this budget accompanied by such letter of transmittal, explanations, analysis, and supporting statements as, in his opinion, are desirable in order to get clearly before that body the nature of the proposals contained in it, and the reasons actuating him in their formulation. This budget shall represent a consolidated statement of the revenue and expenditure needs of the Government for the year to be financed, and no other estimates shall be submitted to Congress directly by any other administrative officer of the Government.

5. The President shall in like manner cause the heads of all departments and Government establishments to submit to him their estimates of supplementary or deficiency appropriations needed by them to meet requirements of their services during the year in progress. These estimates shall be examined by the special service above mentioned, and the President shall submit them, with such revision as he deems proper, to Congress as supplementary or deficiency budgets for that year.

#### ACTION UPON BUDGET BY CONGRESS.

That the two Houses of Congress shall amend their rules so as to provide:

1. For a single committee in each house to have jurisdiction over all revenue and expenditure proposals.

2. For the submission of the budget upon its receipt to such committee.

3. For the treatment of the budget as the basis for all revenue and expenditure bills.

4. For the preparation by such committee of a budget bill or bills which shall follow the scheme and classification of the budget as transmitted by the President.

5. For the preparation of a report which shall accompany said budget bill or bills and which shall set forth clearly all features or items in respect to which such bill departs from the proposals contained in the budget with the reasons which have actuated the committee in recommending such changes.

It is not my intention here to go into an extended exposition of these propositions. Most of them are to-day generally accepted as prime requisites of a budget system. There are, however, two or three points involved in this program which seem to call for some comment.

The committee's proposals proceed from the theory that a budgetary system of national finance absolutely requires, not merely a change in the methods of the executive departments in preparing their estimates of expenditures, but an equally marked reform in congressional consideration and action in making appropriation; that, if better coordination in planning for the next year's work is required of executive officials, an equal degree of coordinated consideration of these estimates and plans should be assured on the part of Congress and that, until reform in both the legislative and executive branches of the Government in adopting a finance program is secured, we shall be very far from a satisfactory national budget.

The chamber's committee, in framing its proposals, kept continually in mind the fact that, however admirable might be the budget systems of other nations, such, for example, as Great Britain's, any scheme which it proposed should be consistent with our own principles of government and within, not only the written word of the Constitution, but the actual working conditions of our political system and Government machinery. We believe that we have succeeded in doing this. We have given full consideration to the argument sometimes advanced that we can not hope to have a successful budget here without adopting at the same time the British parliamentary system of government with a ministry or an administration ready to stand or fall on its budget program. Such an argument is based on a preconceived notion of what a national budget must be. We have started with the one idea that what this Government needs in making up its financial program is intelligent study and understanding of what should be done, a work program to begin with, carefully planned by the Executive and submitted to the National legislature in such form that, with proper organization of congressional committees, it may receive intelligent consideration as a whole and be acted upon by Congress in the full exercise of its legislative powers and in unhampered control of the purse strings. Such a plan calls for no surrender of real power by either branch of the government; it is merely a method to enable both the executive and legislative branches to understand each other, and for the public to understand both.

It is true proposals of our committee would centralize full responsibility for recommendations, in their final form, upon the President.

There is, however, nothing inconsistent with the recognized powers of either Congress or the President in such a scheme. The committee does not propose that congressional action on the budget submitted by the President be limited, say, to decreasing the estimates and that Congress be denied the right to vote an appropriation in excess of the amount asked for by the President. It proposes only to put upon the President responsibility for submitting a plan to Congress, to whom, in turn, the committee would leave the responsibility of passing upon the policies involved in the President's recommendations and the amount of money that should be spent.



On the other hand, the committee is very strongly of the opinion that the responsibility for the preparation of a work and financial program should be definitely and clearly fixed with the Chief Executive. The committee is therefore opposed to the proposal that the budget bureau, which is to make the preparatory study of departmental needs, should be located in the Treasury Department, or that the Treasury should be given the responsibility of preparing the budget either for submission to the President or to Congress direct. Certainly the latter suggestion would, in the opinion of the committee, be a fatal weakness in any budget plan. It would very soon, if not immediately, mean that the Secretary of the Treasury would, as far as the budget estimates are concerned, become little more than the agent for the transmittal of departmental requests as at present, possibly in a new form, but without the scrutiny and study that would be insisted upon if it were understood that the budget represented the matured recommendations of the President as the executive head of the Government. That a treasury budget would soon become largely a formality seems clear if it is remembered that important questions of policy are sure to be involved in the initial budget recommendations of every department.

The Treasury, as only one department out of several, would naturally feel the greatest reluctance to pass judgment upon the policies proposed by another department. The atmosphere is very different, however, if the budget bureau is an agency of the President whose responsibility it clearly is to recommend to Congress what the Government should undertake to do and how those undertakings should be financed.

Action upon the budget by Congress is in our opinion of equal importance with the preparation of the budget by the Executive. It seems axiomatic that no sound financial policy can be hoped for under a system which appropriates money to be spent, without consideration of how much money there will be to spend or which levies taxes and provides for revenues without due consideration of how much revenue must be raised. Similarly a system of legislation which practically prohibits Congress from ever having any clear idea at all of the next year's program of governmental activities as a whole, or even of the plans and appropriations of any single department, can only lead to confusion, carelessness, and waste.

Such, however, are the conditions under which Congress now labors. We are not unmindful of the vast amount of labor which members of appropriations committees spend in an honest effort to meet legitimate demands of department heads while at the same time keeping appropriations within reasonable limits. To-day, however, when departmental estimates are received, their consideration is scattered among several of at least nine committees in the House, and the appropriations when they finally emerge, are usually to be found in several of at least 15 appropriation bills. No one committee, with the possible exception of the Committee on Agriculture, considers the proposals of an entire department or service. On the other hand no department head or other administrative officer charged with the duty of submitting estimates to Congress through the Treasury Department feels the sense of responsibility for careful estimates and well-thought-out plans which he would feel if he knew that his

proposals would all be considered together and thoroughly scrutinized with reference to each other and to a real department program. In other words Congress does not get the information it should have to act intelligently and wisely, and if such information and recommendations were prepared by an Executive the present committee organization of Congress would hamstring any effort to act upon them as a whole. To a business Executive such a system has nothing to support it and everything to condemn it. If there is added to this confusion the further fact that the raising of revenue and the levy of taxes are handled separately from the appropriations for expenditures, the system spells nothing but chaos, extravagance, and waste.

It is for these reasons that the committee recommends revision of the rules to provide for a single committee in each House to have jurisdiction over all revenue and expenditure proposals and for reference to this committee of the budget as a basis for all revenue and expenditure bills.

In the preparation of bills the committee should be required to follow the scheme and classification of the budget as transmitted by the President and in its report to the House or Senate to set forth clearly all departures from the proposals contained in the budget with the reasons for them.

We realize that these proposals involve a radical change in congressional procedure. We are convinced, however, that no real budget system will be achieved until such a change is made and that, far from being an intrenchment on the power of the legislative branch, it will actually enhance it. Congress to-day works largely in the dark. It is not furnished with the information it needs to act intelligently or at least such information is in no form to permit of such action. It will not be, as long as consideration of appropriations is divided among numerous committees and appropriations for even a single department or service are found among several appropriation bills. Give Congress, however, machinery to secure from the Executive a real, coordinated work and finance program, with every item of it supported before a single committee or the proper subcommittee which can see the plan as a whole, the relative importance of each part of it and finally how the proposals of one department fit in with another and you have provided Congress with real financial control and enhanced rather than diminished its power in our system of checks and balances.

You will not find in the committee plan any suggestion for an accounting department or for independent audit and control of departmental expenditures. The committee omitted action on this question because it was confined in its duties to study and recommendation of a plan for a budget system proper.

It does not want to be understood as opposed to a plan of independent audit but only to make it clear that it is not within its province as a committee of the Chamber to make any recommendations whatsoever in regard to it.

With reference to budget bills now pending before Congress the committee at a meeting on June 17, after careful consideration of all measures introduced up to that date, adopted the following resolution:

*Resolved*, That the committee on budget and efficiency, believing that the Good bill more than any other bill which it has examined conforms to "

recommendation already made, approves the budget features of that bill and recommends their approval by the members of the United States Chamber of Commerce. The committee feels, however, that the bill would be improved by amendments which would provide for the abandonment in the near future of the present form of submitting the estimates known as the Book of Estimates and the substitution therefor of a budget to be prepared by the President in accordance with his own discretion. The committee expresses no opinion with regard to that part of the Good bill providing for a comptroller general, deeming that it has no jurisdiction to consider matters not directly connected with budget reform.

The committee also approves the Tinkham resolution calling for revision of the rules of the House of Representatives and urges its extension to the rules of the Senate, in order that the budget as prepared by the President may receive consideration as a whole in Congress.

The committee believes that the bill introduced by your chairman will, if modified as suggested, and if accompanied by the passage of Mr. Tinkham's resolution in the House and of a similar resolution in the Senate, go a very long way toward giving us a genuine national budget system. We are frank to say that in its present form Mr. Good's bill falls short of providing for a satisfactory budget plan. It makes no provision for reform in congressional committee organization and procedure, which we regard as of equal importance with reform in Executive action. On the contrary, the requirement that the "document to be known as a budget" shall follow the form and contents of the present Book of Estimates is a distinct encouragement to the continuances of the present congressional methods. This is the only "budget" which the bill actually requires. The "alternative budget" provided for in section 8 may or may not be submitted by the President, and if submitted may or may not be considered by Congress. As a matter of fact, we believe it would not be submitted or considered, because a properly arranged budget could not be properly considered under the present system. The Book of Estimates is designed to fit the present methods of congressional action. Estimates are so arranged as to permit of consideration by any of the numerous committees which have jurisdiction over appropriations and of the preparation of the 15 or more appropriation measures now acted upon by the House. A "document to be known as a budget" prepared according to the Book of Estimates would not be a "budget." In itself it would help little, if at all, in clearing up the present confusion in our financial program. The committee therefore recommends that the Good bill serve as the basis for budget legislation, but that a definite time limit be fixed on the use of the Book of Estimates as the form for the budget submitted by the President, so that in the near future we shall be assured of a budget from the President to Congress prepared as provided in section 8 according to such form as the President may direct. This, accompanied by provision for change in committee organization and procedure as proposed by Mr. Tinkham, would, we believe, constitute a great reform in our national financial methods. Its importance is far greater to-day than ever before, when our revenues are below our expenses and when the people demand the practice of the most rigid economy by every department of the Government. For many years we had more than ample revenues for all our needs. To-day the reverse is the truth, and it is only by the careful planning and study of both revenues and expenditures, which a budget system will make possible, that we can hope to secure economy.

budget principle, they do not mean, except in very general terms, exactly the same thing; and although gentlemen who have been here speaking for different organizations and representatives of the chambers of commerce have had conferences and mean practically the same thing which we advocate, there will doubtless be differences, certainly of minor importance, while with others throughout the country there might be other differences.

I will illustrate that by saying I think there are some advocates of a national budget who go so far as to believe that it can not be obtained without amendments to the Constitution of the United States. They are all so deeply imbued with budget procedure as carried under a cabinet form of government in England that they believe a responsible cabinet, a responsible executive, an executive that resigns when it is defeated on the budget, is a necessary part of the plan. Not so with the committee of the Chamber of Commerce of the United States. We have tried to work out the benefits of the budget plan as carried on in other countries under an American system of government, with, of course, no constitutional change, with little, if any, legal change, and with the least possible disturbance of present established practices, both of the executive branch and the legislative branch.

In particular, I might say to you, we are not aiming at limiting any one of the powers of Congress, as you will find when I develop in more detail the plan that we have to present, anymore than we are trying to limit the powers of the Executive. We are not putting up or recommending a budget organ next to the President which shall be in any way a limitation on the President or the President's power, and we are not advocating in Congress any changes of rules of procedure which shall be a limitation either on the part of the Congress or of the individual Congressman.

Those have been the principles on which we have drawn up our plans in A, B, C form, and where points are not covered there it may pretty well be taken for granted that from consideration given we have no opinion to express on it, and we regard it either as a minor detail or something without our scope to determine, something to be determined by Congress with a closer knowledge of its powers and procedure, or by the President in the same position on the other side.

We have filed a brief here to-day, through our chairman, Mr. Clause, which covers our stand at some length. I think, however, that I can trespass less on your patience and at the same time give you the gist of the chamber's platform by using a shorter document containing the resolutions passed at our last annual meeting in St. Louis, May 1, 1919, and the report of our committee on budget and efficiency, which was submitted at that meeting.

I may say that in this matter that we have always had a committee, having regard to various interests and having some geographical distribution. It is made up of different elements. Mr. Clause is a business man, a prominent business man of Pittsburgh, and chairman of the board of the Pittsburg Plate Glass Co. Mr. F. M. Brown is a magazine editor in St. Louis; Mr. McClatchy is a newspaper man, of the Sacramento Bee; Mr. Cowles is of the *Spokane Review* in Spokane; Mr. Stockwell is, I think, an ac-



ting forth both the negative and the affirmative of the proposition, and a ballot on which it is as easy to vote a nay as an aye, and the material, which differs very much with the different referenda, illustrative of the whole subject, so that while a referendum pamphlet of the chamber does not and can not claim, nor do we desire to claim, that it is the sum of knowledge on it, it is at least suggestive; and while all the knowledge is not contained in the pamphlet, it is suggestive of where it can be obtained and what the line of argument is that can be brought up against the plan which is submitted.

That one was submitted November 30, 1912. We had a small membership in those days. We allow 45 days for the vote to come in. The number of organizations in the national chamber at that time was 198, and the number voting was 152, under the plan which I have explained, by which the organizations have the number of votes according to their membership, and there were 573 votes cast in favor of the plan and 10 opposed to it.

Now, when a referendum gets more than a two-thirds vote it becomes the duty of the board of directors, which does not control the policy of the chamber, it becomes the duty of the board of directors to carry it into effect. In that fact lay a novel experiment of the Chamber of Commerce of the United States. We do not have a governing body that can determine policies. Policies can only be determined by submitting a proposition to our membership. In this it is our preferred form, or in an older and well-known form of having the matter submitted by resolution and adopted at an annual or special meeting. Under that duty imposed upon the board of directors we have been carrying on a campaign for the stimulation of interest in the subject of a budget. We have always had a budget committee. We have had occasion to go before the President and to interview Members of Congress. I do not think that anyone will question the tremendous growth of interest in this subject of the national budget in the years that have intervened.

One might say that what the chamber of commerce committee passed upon seven years ago does not represent their information at the present time. They might say so in regard to this, although I think you would probably admit that such a business proposition as a budget will come. But, as a matter of fact, we have at almost every annual meeting submitted the subject to the meeting to test the sentiment, and I will say that the sentiment is just as strong to-day among our 1,200 member organizations as it was in the first year among our 150 member organizations.

Now, the intention of the budget committee in the chamber, acting on a referendum, is that of carrying out the duty imposed upon the board of making the vote effective, and it is to take a matter which is set forth in general principles, and, so far as it is necessary, to bring it down to a concrete proposition which Congress has to consider in formulating a bill. Such a committee has no power to depart from the principles that are laid down in a referendum, but a referendum is never put up as a bill but as a general principle which can be interpreted into legislation.

In that work of trying to make concrete the idea of a national budget, I think we strike the greatest difficulty that there is in the whole subject, because while there are thousands and literally hundreds of thousands, I believe, in this country who are advocates of a



budget principle, they do not mean, except in very general terms, exactly the same thing; and although gentlemen who have been here speaking for different organizations and representatives of the chambers of commerce have had conferences and mean practically the same thing which we advocate, there will doubtless be differences, certainly of minor importance, while with others throughout the country there might be other differences.

I will illustrate that by saying I think there are some advocates of a national budget who go so far as to believe that it can not be obtained without amendments to the Constitution of the United States. They are all so deeply imbued with budget procedure as carried under a cabinet form of government in England that they believe a responsible cabinet, a responsible executive, an executive that resigns when it is defeated on the budget, is a necessary part of the plan. Not so with the committee of the Chamber of Commerce of the United States. We have tried to work out the benefits of the budget plan as carried on in other countries under an American system of government, with, of course, no constitutional change, with little, if any, legal change, and with the least possible disturbance of present established practices, both of the executive branch and the legislative branch.

In particular, I might say to you, we are not aiming at limiting any one of the powers of Congress, as you will find when I develop in more detail the plan that we have to present, anymore than we are trying to limit the powers of the Executive. We are not putting up or recommending a budget organ next to the President which shall be in any way a limitation on the President or the President's power, and we are not advocating in Congress any changes of rules of procedure which shall be a limitation either on the part of the Congress or of the individual Congressman.

Those have been the principles on which we have drawn up our plans in A, B, C form, and where points are not covered there it may pretty well be taken for granted that from consideration given we have no opinion to express on it, and we regard it either as a minor detail or something without our scope to determine, something to be determined by Congress with a closer knowledge of its powers and procedure, or by the President in the same position on the other side.

We have filed a brief here to-day, through our chairman, Mr. Clause, which covers our stand at some length. I think, however, that I can trespass less on your patience and at the same time give you the gist of the chamber's platform by using a shorter document containing the resolutions passed at our last annual meeting in St. Louis, May 1, 1919, and the report of our committee on budget and efficiency, which was submitted at that meeting.

I may say that in this matter that we have always had a committee, having regard to various interests and having some geographical distribution. It is made up of different elements. Mr. Clause is a business man, a prominent business man of Pittsburgh, and chairman of the board of the Pittsburg Plate Glass Co. Mr. Paul W. Brown is a magazine editor in St. Louis; Mr. McClatchy is a newspaper man, of the Sacramento Bee; Mr. Cowles is of the Spokesman-Review in Spokane; Mr. Stockwell is, I think, an ac-

countant; Mr. Tunell, of Chicago, is a business man; and Mr. Willoughby is well known to all of you gentlemen.

Mr. TEMPLE. You did not mention Dr. Goodnow.

Mr. GOODWIN. Dr. Goodnow also is a member of the budget committee, and I do not have to say anything about him to you.

May I ask you to turn to page 4 of this pamphlet, and with your permission I will read the first part, as to the formation of budget by the President:

That annually, as soon after the close of the fiscal year as is feasible, the President shall cause the following steps to be taken:

1. The submission to him by the Secretary of the Treasury of the following statements:

A. The condition of the Public Treasury as shown by current resources and obligations of the Government at the end of the fiscal year just closed and, if feasible, for a series of years preceding.

B. The revenue and expenditures of the Government during the last completed fiscal year and, if feasible, for a series of years preceding.

C. Fixed charges and appropriations and estimated revenues for the fiscal year in progress.

D. Changes, if any, which, in his opinion, should be made in the revenue system having for their purpose the increase or decrease of the national revenue. The statements called for under A, B, and C should present the data classified and totaled in such a way as to show clearly their nature.

2. The submission to him by the heads of all departments and other governmental establishments of comparative statements showing in detail (1) their expenditures for the fiscal year just closed, (2) appropriations for the year in progress, and (3) estimates of expenditure needs for the year to ensue.

Such statements shall be submitted in such form and with such supporting data as the President may prescribe.

3. Upon receipt of the foregoing statements, the President shall cause to be prepared a budget which shall set forth in detail:

A. The condition of the Treasury as shown by current resources and obligations at the end of the fiscal years just closed and for a series of years preceding.

B. The revenues and expenditures of the Government during each of said years.

C. The fixed charges and appropriations and estimated expenditures during the year in progress; and

D. The provisions which, in his opinion, should be made for meeting the revenue and expenditure requirements of the year to ensue.

These statements shall be in all cases in the form of balanced statements and the data contained in them shall be so grouped and totaled as to furnish a clear idea of the nature of the resources and obligations of the Treasury, appropriations in force, revenues, and expenditures.

The statement of provision to be made for meeting the revenue and expenditure requirements of the Government for the ensuing fiscal year shall represent the provision which, in the opinion of the President, should be made for those needs, regard being had by him to the general policy which, in his opinion, should be followed in respect to work programs of the Government to be undertaken and the manner in which such programs should be financed. The budget, in a word, should represent his judgment as to the financial and work program that should be adopted for the year to be financed.

The preparation of this budget should be handled by a special service organized by the President for the purpose, working under his immediate direction and instructions and directly responsible to him.

4. Immediately upon the assembling of Congress in regular session, the President shall transmit to it this budget accompanied by such letter of transmittal, explanations, analysis, and supporting statements as, in his opinion, are desirable in order to get clearly before that body the nature of the proposals contained in it, and the reasons actuating him in their formulation.

This budget shall represent a consolidated statement of the revenue and expenditure needs of the Government for the year to be financed, and no other estimates shall be submitted to Congress directly by any other administrative officer of the Government.

5. The President shall in like manner cause the heads of all departments and Government establishments to submit to him their estimates of supplementary or deficiency appropriations needed by them to meet requirements of their services during the year in progress. These estimates shall be examined by the special service above mentioned, and the President shall submit them, with such revision as he deems proper, to Congress as supplementary or deficiency budgets for that year.

Now, there is what is termed, in technical language, an executive budget, and a plan which we believe should be followed in the making up of it. You will note that a matter which has been under discussion here to-day, the question of a budget bureau, the organ that shall formulate the budget, is very carefully expressed in language here as "a special service organized by the President for the purpose, working under his immediate instructions and directions and immediately responsible to him."

In other words, it is the view of our committee that the executive budget must be made up on the authority of the President and solely on that authority. We are not looking toward the creation of any officers with statutory powers. We are avoiding any such question as inserting an officer between a Cabinet official and the President. It is a service such as the President desires to create for carrying on from year to year this budget activity.

From my point of view, an Executive budget is just half a loaf and no more. You will recall that in 1912 President Taft submitted to Congress an Executive budget. True he did it probably simply to show the completion of a plan, for it came into Congress right at the end of the session, and there was nothing when that work had been done that required the least attention from Congress, and Congress did not pay the least attention to it. In other words, the President may draw up the most beautiful budget in the world, and he may show to the American people what he is aiming to do, but unless Congress makes the necessary preparation to handle the President's budget, we have accomplished very little, if anything, so you will see that the next head is "Action upon budget by Congress."

MR. GARNER. Mr. Goodwin, may I interrupt you there?

MR. GOODWIN. Certainly.

MR. GARNER. I see that you use the word "shall"—the President "shall." Do you mean by that, for instance, that if the Secretary of Agriculture should request a budget committee, a different budget, the President might create, under your arrangement, an estimate for that body which should be submitted to the President—if there was an estimate submitted to the President, that he is compelled to submit it to Congress?

MR. GOODWIN. Oh, no.

MR. GARNER. You use that term "shall," and if you put that in the law he has no discretion in the matter.

MR. GOODWIN. No; we did not mean that; that word is unfortunate. It is simply the laying out of a plan; it is not meant to be mandatory at all.

MR. GARNER. You mean to leave it to the discretion of the President as to whether he will send an estimate or an original budget—

MR. GOODWIN (interrupting). In other words, the idea is to put these supplementary budgets, deficiency budgets, in a way so that the Secretary of Agriculture can not come to you, but it goes through the

same machinery. You will note that it says "these estimates shall be examined by the special service above mentioned, and the President shall submit them, with such revision as he deems proper, to Congress as supplementary or deficiency budgets for that year."

Mr. GARNER. You will notice that "the President shall submit them, with such revisions." Suppose that he did not want to submit it?

Mr. GOODWIN. That implies that. That is the wrong use of the language.

Mr. TEMPLE. Referring to the last two lines on the bottom of page 5 and the first two lines at the top of page 6, it puts the budget under the control of the President, and he probably would want to submit an estimate, under his control and direction.

Mr. GOODWIN. Yes. I think our committee had very clearly in mind the centralization of responsibility here. The creation of any sort of body by Congress with powers independent of the President in formulating a budget would at once allow the President, in defending his budget, to raise the question that there was some one else who had a certain authority in making it. This report is perfectly clear that that can not be done; that whatever agency there is is the President's agency; it acts by the President, and by the President's authority alone. It is providing him with a staff to do those things which no one with his responsibility can do for himself and over which he can exercise only a supervisory control.

I will continue:

#### ACTION UPON BUDGET BY CONGRESS.

That the two Houses of Congress shall amend their rules so as to provide:

1. For a single committee in each House, to have jurisdiction over all revenue and expenditure proposals.

2. For the submission of the budget upon its receipt to such committee.

Mr. GARNER. Under our present arrangement we have a number of appropriating committees, and we have one committee whose duty it is to raise the revenue. Would you have all of these committees consolidated into one committee?

Mr. GOODWIN. I would.

Mr. GARNER. A committee whose duty it would be to raise the revenue and to provide for the expenditures?

Mr. GOODWIN. I would, and that is the idea set up by our committee. We realize, of course, that the budget, in its actual working out, is going to be a matter of time. But that is, to our mind, the only solution that should be reached in the end of the process, when you have a thorough budget procedure. It should be handled by not more than one committee in each House.

2. For the submission of the budget upon its receipt to such committee.

3. For the treatment of the budget as the basis for all revenue and expenditure bills.

Mr. GARNER. May I ask you a question there?

Mr. GOODWIN. Yes, sir; certainly.

Mr. GARNER. Do you propose that the committee should be confined to the suggestions of the budget committee as to the method of raising revenues?

Mr. GOODWIN. No, sir.

**Mr. GARNER.** You say here "for the treatment of the budget as the basis for all revenue and expenditure bills."

**Mr. TEMPLE.** Look at paragraph D, on page 5, Mr. Garner, "the provisions which, in his opinion, should be made for meeting the revenue and expenditure requirements of the year to ensue."

**Mr. GARNER.** But he is suggesting an amendment to the rules. If the rules provide to-day that we could only consider the methods of raising the revenue suggested by the President, we would be restricted under the rules.

**Mr. GOODWIN.** I think I will clear that up, Mr. Garner, a little later on. Certainly I can clear it up if it is not cleared up here.

For the preparation by such committee of a budget bill or bills which shall follow the scheme and classification of the budget as transmitted by the President.

Please note those words, "which shall follow the scheme and classification of the budget as transmitted by the President."

5. For the preparation of a report which shall accompany said budget bill or bills and which shall set forth clearly all features or items in respect to which such bill departs from the proposals contained in the budget with the reasons which have actuated the committee in recommending such changes.

Now, Mr. Chairman, I come back to a statement that I heard Mr. Garner make, and that was if the President submitted careful estimates, and Congress undertook to increase it, that public attention would center on that increase, and it would become an issue in every congressional district. That is precisely the principle that we are working on in this plan. We have not put forward any limitation, any two-thirds vote for instance. We have put forward in this provision for a report, we have assurance for publicity, and for the knowledge of the constituents as to what has been done. It does not limit the power of Congress to depart from the President, but it does require that Congress shall point out every feature in which it has departed, and it will give a basis for the healthiest kind of political discussion, and something new in this country, a basis for the public understanding of finance and discussing the actions of its Representatives, with some regard to the way they have handled the revenues and the expenditures of the United States. What we look to as far more important than any effort we can conceive of, of restrictions on powers on Congress, and, as I said before, we have attempted to work out this budget plan, not on English ideals, but to accomplish the true object of the budget. However, I think, when we get into a technical subject, and all forms of accounting are technical, it is very important to keep in mind what we are trying to do by a budget procedure.

Of course, a business man would say outright that we are trying to save money. As an advocate of the budget I can not conscientiously say that a thorough budget procedure will save one cent of money, and I have no reason to suppose that the Government is endeavoring in this way to curtail expenses. It does provide for the intelligent expenditure of money. It may be a greater amount, and to get that intelligent expenditure of money through a budget procedure the main thing that you can accomplish is the establishment of machinery by which the public can understand for what purpose the money is spent.

If a budget was merely, gentlemen, to get a more orderly method of footing up accounts in the executive departments, or to simplify



your tasks here, where you have a very complicated machinery, I confess it would have little or no interest to me. I am always, as an organizer, a man who is interested in simplifying problems, but that is a small matter. The success of the budget establishment is going to depend on the question of whether you put up a procedure through which the public can understand how the money is raised and through which it can understand how it is spent, and the criticism of the present-day method is not because you have 14 committees, or the Secretary of the Treasury has not the power to revise the estimate of the heads of departments, which they have submitted to him, but from the results of those things it is so complicated that no outsider, and very few insiders, can get at how the money is raised and for what purpose it is expended.

Our whole interest in that matter runs to that one single point. We have had occasion, gentlemen, to carefully examine the bills of the present Congress.

The CHAIRMAN. Before you get to the bill, may I ask you a question in regard to the importance you attach to the first item in regard to the change in the rules of the House? Will you describe it. "A single committee in each House to have jurisdiction over all revenue and expenditure proposals"? Take the question of revenue and expenditure. The matter of raising revenue, bills of that kind, all go to the Committee on Ways and Means. By their long service on the committee and their constant study of those problems, the members of that committee become experts, and they pay very little attention, and by the very nature of things can pay very little attention, to general legislation, except as it affects revenue and perhaps a limited amount to appropriations. So the Appropriations Committee, they pay no attention, or but very little attention, if any, to matters or measures in regard to the raising of revenue. Their time is taken up entirely with studied of appropriations. Like the Committee on Ways and Means, the members become experts on that subject; so, too, the members of the Committee on Appropriations become experts on that subject. When you come to get a different result, when you follow those logical lines, especially as far as two committees are concerned, leaving the question of revenue to the experts that have grown up in that service and the question of money appropriations to men whose whole congressional career perhaps has been devoted to work on that line——

Mr. GOODWIN (interrupting). Mr. Chairman, as regards the personnel of one committee, I would not question your argument in the slightest, that into this one budget committee must be brought the invaluable experience of the members of the Ways and Means Committee in raising the revenue and of the Committee on Appropriations in expending it, but one committee is the one logical solution of a budget procedure, because a budget that does not strike a balance is unthinkable. How you work in Congress, I confess that I do not know. How do you approximate, with the Appropriations Committee here and the Ways and Means Committee on the other side of the House, with some 15 other committees handling appropriations, a balance between revenue and appropriation? When you get a request which you must recognize for a considerable expenditure, how do you bring it to the attention of the Ways and

Means Committee, the fact that they must increase their program for revenue to include this item for which you means to appropriate? It seems to me that while I am frankly without qualification to suggest by what means the experience of the members of these two committees can best be brought together to work in one, it is by no means an insoluble problem, and might do with one committee having two subcommittees, one on raising the revenue and one on spending the revenue, but all the time I think that a central committee is necessary in order to carry out the budget, in order to handle intelligently and carefully balanced programs which come down to you as the basis of your legislation from the President of the United States.

Mr. GARNER. Up to 1914, my recollection is that we were always within about \$35,000,000, that is, of the balance between the expenditure and the revenue, one way or the other, and as we came along to make the appropriations, if we had appropriated more than the revenue that year, it was a constant discussion in Congress that we could not make this appropriation and that appropriation because we were a million or three hundred million short of the revenue of last year and more than the revenue expended in the last fiscal year——

Mr. CAMPBELL (interrupting). From 1902 to 1914, I think, in every year the revenues exceeded the expenditures; I think with the exception perhaps of the last year, and the chairman of the Committee on Appropriations, as I recall it at the time, was defeated because he would not open the doors of the Treasury to every looter that came along, would make a statement, soon after a session began, along about the time that the committees began to bring in their bills making appropriations, calling attention to the fact that the estimates were so much and that the estimated revenues were so much, and that the committees would have to cut their cloth according to the amount of cloth they had. That was done through those years, and it worked as Mr. Garner has said——

Mr. GOODWIN (interrupting). It was not worked within \$35,000,000 either way, and considering the machinery you have for arriving at a balance, perhaps it is very praiseworthy. I have been coming to Congress for 20 years and watching it, and I have been present when I heard the chairman of the Appropriations Committee lecturing the House soundly more than once. And perhaps, Mr. Garner, you have reason to be proud that the thing has not had a variation of more than \$70,000,000, but I think that a man in a foreign country, used to a budget system, if anything like that would come out, he would feel very sad, and after all it is not a very good defense to say that you have been able to figure it within \$70,000,000 when an exact balance is possible.

Mr. GARNER. I believe that the theory you have here of having one committee for appropriations and revenue is entitled to attention and discussion, but I want to call your attention to this fact, that this is a political form of government. You would need a committee of 35 men, not less than that, if you undertook to have them representative of the country. We are going to make appropriations, and we are going to make additional revenues, and change the revenues from the present system and raise the same amount of money by a

different system. Some people urge one committee for both appropriation and revenue.

The committee is then divided upon party lines, and the bill is then one bill, and we go back into the House and there again we divide into party lines. The result is that I am voting for or against the entire bill because one portion of it is objectionable to me. It does not permit me to cast my vote intelligently with reference to the expenditures of the Government, because I am compelled, as a matter of principle, to vote for or against this particular bill, because it has some revenue features that I do not believe in. There is a political difficulty, or a practical difficulty, that I see in having one committee to expend the money and to raise it, and I believe you can reach the same results by having two separate committees, one on revenues and one on expenditures, an appropriation committee, and a ways and means committee; and they will be able to cooperate, and, I think, to keep it within \$25,000,000 or \$50,000,000 of a balance. You are speaking of getting an accurate balance. That is impossible. There is no man living that can estimate within \$50,000,000 of the revenue—

Mr. GOODWIN (interrupting). You can make your estimates—

Mr. GARNER. If the Treasury Department can not estimate within \$50,000,000—and I am very conservative, because I do not believe that they can estimate within \$100,000,000—and I believe that Congress could keep within \$100,000,000, and I think the results would be the same with two committees as you would have with one, and in having one committee you take away the political feature of it.

The CHAIRMAN. I think we all agree that this would be an ideal system—to keep a balance between the expenditures and revenue. But after the armistice was signed the same question came to my mind, and I have given some thought to it; but, then, like a bolt out of a clear sky came an estimate of \$750,000,000 for the railroads, and we had to grant it, and we had to do it quickly, because time was the essence of the whole thing. We could not wait to discover the sources for that revenue. Then, within a couple of weeks after we had done that came the estimate from the President for \$100,000,000 for the purpose of buying grain for Europe, for the relief in Europe. Again we could not have waited to discover whether or not this item could be taxed more or that item could be taxed more. We had to content ourselves with trusting to luck in coming into the money.

Now, take this Congress, one day while the Committee on Appropriations was in session, not knowing that the bill was in existence, we found that the House had taken action increasing the postal employees' salaries \$50,000,000, and in the next day or two came a bill changing entirely the pay or compensation of the war-risk act. Now those things are going to continue. Questions of that kind are going to come up week after week and month after month, especially during this reconstruction period. The present Secretary of the Treasury says, as a matter of policy, we ought to carry about \$2,000,000,000 of time certificates. Of course, that all depends on what we carry as a matter of policy, from the policy of the Secretary of the Treasury, but unquestionably a great deal of the financing will have to be done along that line, and the only question which comes to my mind, or a number of questions that came to me as I

read that and as I heard it, as to whether in actual practice a committee which reports out an appropriation of \$100,000,000 or \$200,000,000 based on the estimate of the President or of the executive departments, whether or not, in order to keep this picture a perfect picture, we must also pick up the sources of revenue from which that expenditure will come.

Mr. GOODWIN. I do not think that my plan for one committee, acting in such emergencies, would require you to, or it would prevent the committee on appropriations, when called on to make such an extraordinary expenditure, making the appropriations, without considering the views of those who have got to raise the revenues, and it never should be in a position to do so. In other words, there should be a joint responsibility of appropriating and revenue-raising authorities in Congress—

Mr. GARNER. Your theory is idealistic; if you could have one committee, say we are going to appropriate \$3,500,000, for instance, and we are going to add some appropriations. This same committee had got to carry an additional taxing system in calling a halt, and so on, and I doubt very seriously whether you could work out with one committee under our form here, with the situation as it exists, whether you could work out with one committee the few schemes of passing appropriations.

Mr. GOODWIN. Do not think that I fail to recognize the force of your arguments, Mr. Garner. It happens, however, to be a temporary position that in the matter of raising revenue there is a split between the two existing parties, and in the matter of expending revenue there does not happen to be a political principle involved, and if you act on that I think possibly in a few years you can have the other here.

Mr. CAMPBELL. Is it not true that perhaps since 1852 there has been that political difference in respect to the raising of revenues, in fact, beginning in 1828?

Mr. GOODWIN. But is it as strong a political issue as it was in 1852?

Mr. CAMPBELL. It probably will be stronger in a year from now. You can not tell.

Mr. TEMPLE. I agree that the time is past when the political issue is going to be based on the subject of the tariff; that you are going to get less than 15 per cent from the tariff, and the issue is the internal taxation—

Mr. CAMPBELL (interrupting). The political issue in the tariff has not been the revenue feature. The revenue has been a mere circumstance, as far as one party is concerned. Our Democratic friends have made it the chief interest, but ours has been the protective issue, and that feature will again become prominent. It has been in the background for a time, but it will become prominent again. It will become prominent when all the nations of the earth level up their standard—

Mr. GOODWIN (interrupting). But the acuteness of such an issue depends something, does it not, upon the situation as regards foreign trade?

Mr. CAMPBELL. Yes; and the foreign trade conditions will come again just as soon as the normal conditions of trade and commerce obtain throughout the world.

Mr. GOODWIN. I will say that I have just landed from a trip which I made abroad, and it does not seem to me to be very close.

Mr. CAMPBELL. It is not impending.

Mr. TEMPLE. So far as it might become a political question, let us take, for example, the plan for the buying of the railroads, of \$16,000,000,000 to \$20,000,000,000 to buy the railroads——

Mr. GARNER. And the policy has been suggested by prominent Democrats and prominent Republicans of taking over all the arid lands and putting on them labor at \$100 to \$150 a month to work eight hours a day to reclaim those lands——

Mr. TEMPLE (interrupting). There will be differences of policy, and will they not result in classifying men for and against those policies?

Mr. TAYLOR. And some of these days somebody is going to start in to do something for those soldiers who have returned, and then there will be something doing.

Mr. GOODWIN. Well, gentlemen, you have got me out of my depth. I can not solve the political difficulties in this problem, but I am bound by the logic of the situation to stick absolutely to the one-committee idea of each House. If you admit two committees, you admit three or four, and I do not see anything else. I have never looked at the budget as a thing that was absent yesterday and here to-day. It requires action by the executive branch and action by the legislative branch, and in some respects it has got to be a growth. The moment it receives the President's signature——

The CHAIRMAN (interrupting). Following that out in its logical conclusion, do you not then come to the point that there should be only two committees in the House, one on raising revenue and appropriation and the other for absolute control of all legislation, so that legislation will not be conflicting, so that the laws will balance, so they may not report out too many bills that will in the near future call for appropriations?

Mr. GOODWIN. I think that by the creation of a budget committee in the House your task will be very much simplified in that line, Mr. Chairman, as to-day the Ways and Means Committee is to the House something more than a committee for raising the revenue, so a budget committee with control both of raising the revenue and expenditures is going to have, whether you put it into the law or the rules, an influence on all questions of legislation that affect the finances of the Government. I feel sure that from that consolidation of financial authority Congress is going to gain tremendously, and through your present decentralization of the Appropriation Committee you are losing that influence from an independent member in an independent measure. Am I not right in saying that the Ways and Means Committee is the committee on committees?

Mr. GARNER. So far as the party is concerned on the Democratic side.

It was the committee of committees, and on this committee it holds the destiny of each Member of Congress to have as much influence——

Mr. TEMPLE (interrupting). There was one matter that you spoke of a little while ago that I would like to get a little fuller statement of your opinion. There is of course absolutely no question that it



is exceedingly desirable to have always a balance of expenditures and revenues; at the same time it is impossible to foresee what revenue is going to be. A Congress estimate will approximate that of course, but what is the advantage of having a balance written on paper if at the end of the year you will find it is not corresponding with the future?

Mr. GOODWIN. Every time you make an estimate, actually, between expenditure and revenue, and I guess that every one who keeps a household budget will agree, the next year you are in a better position to make an estimate; and what would be the alternative of your present position? Why aim at a balance even in anything? If we admit that it is impossible to calculate the results of revenue bills down to a cent, and so that you can make an absolute estimate, nevertheless the only businesslike thing to do is to use this accumulated experience to get as close to it as you can and so improve its method. Perhaps fortunately or unfortunately, if a business gets far off on its business estimate it fails, but the Government of the United States can not fail——

Mr. TEMPLE. The statement is made that under the haphazard system we have, we have roughly approximated within \$35,000,000 over and above, which makes a swing of \$70,000,000 altogether.

Mr. GOODWIN. Seventy million dollars.

Mr. TEMPLE. And how much closer do the estimates of the British budget approximate the actual facts?

Mr. GOODWIN. I will have to refer you to Dr. Willoughby on that. I do not know. What I know of the English budget system I have secured largely through his book, and I think that every student of the budget system will admit that it has not worked in war time as it did in peace time. Dr. Willoughby, have you any idea on how close they have been able to figure?

Mr. WILLOUGHBY. No. I know that when they prepared their budget they figured very close, and my impression is during war-time the budget became a standard—they voted what they call lump sums in a free-handed way.

Mr. TEMPLE. Do you know how close previous to the war the estimates in the budget corresponded with the facts after the revenues were collected?

Dr. WILLOUGHBY. I could not give the figures, but they are very close. They have been running along on a pretty level plane, and they have estimated the revenues more carefully than we have, and they did succeed in getting a very close estimate.

Mr. TAYLOR. Is it or is it not true that the English sources of revenue are more definite and capable of estimating with more exactness than they are in this country? I am trying to call your attention to the difference between our sources of revenue and theirs.

Dr. WILLOUGHBY. The British system prior to the war did succeed, I think, in making very close estimates of prospective revenues and expenditures, so that the balance in the chancellor's exchequer shown on the one side or the other would be very closely realized, and that was due to the fact that both from the revenue and expenditure side the conditions were much more stable than is true in the case of the United States. There is no question—there can be no question—that it would be very much more difficult to estimate accurately with us.

Mr. GARNER. Do you think that they came within £7,000,000, for example, or \$35,000,000?

Dr. WILLOUGHBY. I think they did. I remember a statement wherein the chancellor had congratulated himself on the fact that the estimate realized was almost mathematically the same.

Mr. GOODWIN. We have a very rapidly expanding service, and we are taking in new activities and we are developing in the country, so that it would be very difficult, and we never could expect under the present conditions to get it as accurate as the English prior to the war. Nevertheless we could reach a condition where the prospective balances would be a matter of very great interest and value to Congress in determining the revenue and expenditure purposes.

Mr. BYRNS. You do not advocate any change in the rules of the House which would place any restrictions upon Members offering amendments to increase or decrease the appropriations, do you?

Mr. GOODWIN. No.

Mr. BYRNS. You do not recommend it?

Mr. GOODWIN. No, sir.

Mr. BYRNS. What is your opinion as to whether or not Congress should adopt a rule of placing such restriction on Members? It has been stated that there should be a two-thirds or a three-fourths vote before an amendment could be adopted.

Mr. GOODWIN. We have no opinion to express on that. That is a practical proposition for Congress to work out in connection with the budget system. It is not, to my mind, essential. I believe that the best check that you can get and the biggest check, is the fact that every departure you make from the budget is to be public property, and provision is made by which the public can get hold of it and then understand it. Whether, in addition to that, you see fit to place some further restriction, experience would best show. I want to reiterate the fact that we started from the point of view of not changing the powers of Congress or of the Executive, nor do we believe that such change will help in accomplishing the purpose we desire.

Mr. BYRNS. In your opinion, the particular advantage to be gained is publicity, is to draw the attention of the public to the appropriations asked by the Executive and Congress, and there would be no particular advantage gained by restricting the rights of the Members, in representing those whom they represent with reference to some particular appropriation in which he and his people might be interested?

Mr. GOODWIN. No, sir; and, in fact, as I said about the President's budget service, anything that is likely to restrict allows the President to avoid his responsibility, and the same way with any arbitrary restrictions on Congress itself and on the Members. As soon as you put up rules of that kind, a man under fire by his constituents can appeal to the rules, and I think that is all undesirable.

Mr. GARNER. As you have stated, you have observed Congress for quite a while. You have probably observed that the Senate increases the appropriations very suddenly, or reduces them very suddenly, and I think it can be said that those increases are, or a large percentage of them, items that have been thoroughly considered by the various appropriation committees of the House, and they declined to give

them the money. Then it goes to the Senate, and they get an amendment, and the Senate conferees say, "We will have this amendment or that amendment or we will let the bill fail." How are you going to deal with that?

Mr. GOODWIN. I do not know that I would care to deal with it.

Mr. GARNER. It is very difficult to concentrate the fire of public opinion upon the responsible party.

Mr. GOODWIN. That, of course, is due—the power of the Senate to hold up the House on that proposition, is due to a six-year term as against a two-year term, and I have no proposition to change that fundamental in the Constitution.

Mr. GARNER. There is our difficulty. You have a committee in the Senate. They are giving consideration to this. I hope you gentlemen who are giving us the benefit of your judgment and observation, will be able to impress the Senate committee from the viewpoint of how they can render assistance in keeping the expenditures down.

The CHAIRMAN. Have you concluded your statement, Mr. Goodwin?

Mr. GOODWIN. I started to say something about the bill, but understanding that you are not discussing particular bills at this hearing, I think that any remarks I may have to make on that subject may be just as well postponed to a later opportunity when there is a concrete bill under discussion.

I thank you very much.

The CHAIRMAN. We thank you very much for coming before the committee and giving us the benefit of your suggestions.

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WEDNESDAY, SEPTEMBER 24, 1919.

**STATEMENT OF MR. CHARLES WALLACE COLLINS, WASHINGTON, D. C.**

The CHAIRMAN. Mr. Collins, what in general has been your past experience, what is your present position, and what study have you given to the question of national finance, especially with reference to budgetary legislation?

Mr. COLLINS. I am a lawyer by profession and have had several years general practice. I have spent the last 12 years in the study of public affairs with special emphasis on constitutional law and public finance. I am in the legislative reference service of the Library of Congress. I am in charge of the economic section of that service. I have been there about five years. I do not wish to be understood, however, as appearing before this committee in behalf of the Library of Congress or any other institution or organization. I alone am responsible for any statements I may make here. I am the author of a number of articles and a book on the so-called "due process" and "equal protection" clauses of the Federal Constitution. I began the study of public finance about five years ago and I have devoted a considerable portion of my leisure time to it. I have studied the British system as far as it could be studied from historical and documentary sources. They have published very complete documents. They have had several investigations of their own system of

the preparation of estimates, notably the select committee of 1902 and 1903, and the estimates committees of 1912, 1913, and 1914, and the select committee of 1918. Those were public hearings in which the various officials who were responsible for these financial operations testified.

The CHAIRMAN. Have you published any of the results of your investigation?

Mr. COLLINS. I have published several articles on national finance and a book, "The National Budget System." I also had something to do with the preparation of the McCormick budget plan. I drafted the bills for that plan.

The CHAIRMAN. You also prepared the article which was made a public document and accompanied that plan?

Mr. COLLINS. Yes, sir; that is a brief on the bills; it is House Document 1006, Sixty-fifth Congress, second session.

Mr. HAWLEY. Have you had any experience in budgetary legislation in connection with cities or States?

Mr. COLLINS. No, sir; I have not. I have made some study of the State systems, but not a thorough study.

Mr. HAWLEY. You have not been an adviser to such bodies?

Mr. COLLINS. No, sir.

The CHAIRMAN. Mr. Collins, will you make a brief statement with regard to the British plan commencing with the preparation of the budget and following it through, so that we can have it in compact form at one place in the hearings.

Mr. COLLINS. The British treasury is so organized that the chancellor of the exchequer is the head of it from the standpoint of policy. Under him is the financial secretary of the treasury, also a member of Parliament, who does the drudgery of the work so far as the political end of it is concerned. The treasury is run largely by a permanent service, with a permanent secretary of the treasury at a salary of \$10,000. I understand now they have two permanent secretaries, but before the war they had one. Under the permanent secretary are six principal clerks. They are called clerks, although they are very high-class men, their salaries running from five to six thousand dollars a year. Each one of these men has jurisdiction over a certain number of the Government departments—spending departments. These departments are divided up into six divisions—from the treasury point of view—and one of these principal clerks is at the head of each division.

At the head of each Government department—I am speaking now of the permanent or consecutive operations of the Government—is a permanent head called an "accounting officer." He is a man under the permanent civil service. He has worked his way up from the lower grades to the highest. He is there practically for life. He is appointed to his position with treasury sanction; in other words, the treasury has something to say about his appointment in the first place. He is responsible to the treasury for the financial operations of his department. Over him is a political head who has a seat and a vote on the floor of the House of Commons, so that the question of policy is provided for above him. The "accounting officer" takes his orders from his chief—the political head of his department. He does not by this, however, escape his financial responsibility to the treasury. He can only do this by making a written protest to the treasury when ordered to make an expenditure of which he does not approve.

The principal clerks are in daily contact with these accounting officers. When the question of a variation from the last year's estimates is up, whether it be a matter of some new salaries or a new wing to a building, or the purchase of additional supplies, that is taken up with the principal clerk by the accounting officer, and they thrash it out. If there is a question of policy involved in it, a question on which they disagree, the accounting officer can appeal to his political superior, who settles the question of policy. The permanent treasury—that is, the treasury represented by the permanent secretary and the principal clerks—have nothing to do with policy as such. They are there in the interest of the economic administration of the financial system. These questions of appeal on matters of policy may go from the permanent head of the department to the political head. The financial secretary of the treasury may resist that, and they may have to appeal to the chancellor of the exchequer, and the question may go to the cabinet meeting if it is a big enough item.

The cabinet of Great Britain decides the policy of the Government, and that decides the financial policy.

The method, as I understand it, is about this: The chancellor of the exchequer calls on these different civil departments for provisional estimates. They are called sketch estimates. They are brought together in provisional form carrying the totals. The treasury considers and approves them. The chancellor takes these estimates to the cabinet meeting. These are for the civil services.

The secretary of state for war, and the first lord of the Admiralty are politically responsible for their own branches of the Government. The treasury exercises the same control over the civil establishment of the war and navy departments as it does over the civil services; that is, over the question of the salaries of the civil officers and the matters of furniture, supplies, etc., where it is just the same as it is in the civil services, the same principles being involved; but on questions of military and naval policy, the question of carrying those out, the matter of building engineering works and battleships and things of that sort, the army and the navy—that is to say, the board of admiralty and the war office—have their own financial departments, very carefully worked out and of long standing, and have their own permanent financial officers, and the treasury does not attempt to exercise the same close control over that feature of the financial operation as they do over the civil services. That is a distinction which they make on the ground that they can not furnish a man who would be familiar with these operations to the extent that he could intelligently criticize them. It is a question of comprehending questions of military technique in their financial aspects.

At the cabinet meeting or by informal conferences the secretary of state for war and the first lord of the Admiralty arrive at a provisional total for their branches of the service, and that comes up eventually in the cabinet meeting. The matter of military policy has been thrashed out by the committee of imperial defense—I am speaking now of the procedure up to 1914 at the outbreak of the war—since then the procedure has been different.

At the cabinet meeting the provisional totals for the army and navy are approved. The chancellor of the exchequer is there to



fight for the treasury from the standpoint of economy, and he has such influence as he is able to exert.

The chancellor of the exchequer also gets approval for the provisional totals of the estimates for the civil services carried by him.

Then they go back and order the formal estimates prepared. Some time in October, I believe, they send out—I am speaking now of the civil services—an estimates circular to the different departments to prepare their estimates. This preparation is merely putting into form what has been agreed upon through these daily conferences, conferences by telephone, by letter, and by personal contact between these treasury officials, the permanent officials, and the permanent officials of the departments.

Mr. HAWLEY. They would also contain comparative estimates and appropriations for preceding years?

Mr. COLLINS. Yes, sir; when they come in.

Mr. HAWLEY. Those are filled in by the treasury, as I understand it, before they are sent out. The treasury sends out the preceding figures in its letter and sends that to the departments, so save the departments that amount of labor.

Mr. COLLINS. Yes, sir; you are quite right, Mr. Hawley. The treasury sends out with the circular certain blank forms with the figures for the preceding year.

For each variation in the estimates from the old estimates, showing any increase in the estimates, there must be a written treasury sanction granted some time during the year, and these are sent in with the estimates by the different departments or bureaus.

The treasury has a man known as the estimates clerk. He has an assistant, a junior estimates clerk, and they sit there and check up these estimates as they come in with the treasury sanctions. The treasury has on file all the treasury sanctions for the year, so that the control is very close. If the estimates clerk is in doubt about any item, if it is something too big for him—he is not as high class an official as these principal clerks—he takes it up with the principal clerk having jurisdiction over that department.

The estimates are finally approved by the treasury; that is, by the permanent end of it, and the financial secretary of the treasury goes over the estimates from the standpoint of policy and he approves them. Then they go to the Chancellor of the Exchequer and then they go to the printer and are printed and reach Parliament some time in February, when Parliament opens. The financial secretary of the treasury explains and defends the estimates on the floor of the house.

The CHAIRMAN. Now, just what is the procedure on the floor of the house when the budget is presented.

Mr. COLLINS. There is no committee examination before the estimates go into the house. They tried what they called estimates committees in 1912, 1913, and 1914.

Mr. HAWLEY. Mr. Collins, am I correct in the understanding that with the budget statement is submitted a detailed explanation covering a very large volume, explanatory of the items in the budget?

Mr. COLLINS. Oh, yes; and the comparative figures for previous years.

Mr. HAWLEY. Which would, in a measure, take the place of the committee hearings by the House of Representatives?

The CHAIRMAN. That would rather take the place of the itemized Book of Estimates.

Mr. HAWLEY. Yes; that is probably better.

Mr. COLLINS. Yes, sir; there is no legislative investigation.

Mr. HAWLEY. It takes the place in part of both of them, because they have no committee hearings like we have.

Mr. COLLINS. Yes, sir. These estimates committees held hearings, but they were not hearings to determine what should be appropriated in the estimates for those years. They were hearings for the purpose of determining whether or not the system of preparing the estimates could be improved, and the recommendations were to take effect in the estimates for the succeeding years. They did not attempt to assume anything like the financial initiative or to determine the merits of the figures in the estimates.

Of course, on the floor of the house the budget goes through practically without change.

Mr. GARNER. What do you mean by "practically without change"?

Mr. COLLINS. Well, you might say absolutely without change.

Mr. GARNER. We might make that same statement with regard to bills coming from the Appropriations Committee, that they go through practically without change; but we do sometimes put on amendments here and there. I understood that in the House of Commons you either voted the budget up or down, and that sometimes they made that an issue with the Government as to whether the Government would fall or not.

Mr. COLLINS. Changes are very rare, indeed. They can reduce the estimates, but it is almost never done. If it is done it results in a change of government.

Mr. GARNER. Not unless the ministry makes an issue of it.

Mr. COLLINS. Under the present practice the ministry would make an issue of it as a matter of course. It is an extremely rare thing for a ministry to fall in this way because reductions are not made.

Mr. BYRNS. In other words, so far as the total of the estimates is concerned, there is no particular reason for Parliament sitting on the estimates at all.

Mr. COLLINS. So far as the figures are concerned, the select committee of 1918 made that very observation.

Mr. BYRNS. The estimates submitted by the ministry must be accepted as presented, and, as Mr. Hawley suggests, Parliament is a rubber stamp, simply to approve them.

Mr. COLLINS. There may be policies involved, and, of course, they are actually under the control of Parliament in the sense that the Government is really a committee of Parliament.

Mr. BYRNS. But Parliament, as I understand you, can make no change in the estimates, and they must either take them or leave them as they are presented.

Mr. COLLINS. Yes, sir; that is the practice.

Mr. GARNER. In other words, if we adopted that system in this country, in practice it would be saying to the Committee on Appropriations, "You make up a bill and bring it in; if we vote you out, we change the entire management of the House of Representatives, and will have another election and do the same thing over again." We would have a good many changes in this country.

Mr. COLLINS. In this ninth report of the select committee of 1918 they criticized that idea very strongly. They were of the opinion that the Government should not take every reduction as a vote of lack of confidence.

Mr. BYRNS. Mr. Collins, is it not a fact that there is considerable complaint in England to-day because the House of Commons is not given any authority over the question of appropriations?

Mr. COLLINS. Yes, sir; that is true.

Mr. BYRNS. Whereas in this country there are a number who complain because Congress has some authority?

Mr. GARNER. It is simply owing to the trend of the mind, whether it is a person who desires a centralized autocratic government, or whether it is one who wants the people to speak now and then, although they have no confidence in the judgment of the people.

The CHAIRMAN. Mr. Collins, what time is given for the discussion of the budget when it reaches Parliament?

Mr. COLLINS. Twenty legislative days are given for the discussion of the budget. These discussions relate to matters of large policy, criticism of the way certain departments are spending the money, and the like. Parliament makes no attempt to go into the question of detailed criticism of the actual figures in the estimates, simply because they have never had anything to do with that. They criticize the Government, politically.

The CHAIRMAN. And when the vote is taken it is on a large number of items that are included within the one vote.

Mr. COLLINS. Yes, sir. The votes, as I understand, which are desired to be debated, are selected by the opposition. They select out of the budget the things they would care to criticize and discuss. At the end of the 20 days the situation usually is this: A large part of the budget has not come up at all. They have what they call the cloture or "guillotine" which comes down on the twentieth day—I think, by practice, they allow three days more. That cuts off all debate and the budget is passed, and many millions of dollars have not been considered at all.

Mr. HAWLEY. That is, the speaker on a given date must declare discussion closed and put one vote after another.

Mr. COLLINS. Yes, sir.

Mr. HAWLEY. The 20 days are not consecutive, they are 20 days from the assembling of Parliament until a specified time, running over several months?

Mr. COLLINS. Yes, sir; 20 legislative days.

Mr. HAWLEY. Twenty days selected out of that period?

Mr. COLLINS. Yes, sir.

Mr. GARNER. Mr. Collins, the difference in their Government and our Government, if I understand it, is that if Parliament votes a lack of confidence in the men who made up the budget, they go out of office and the opposition is put in office and make up a new budget.

Mr. COLLINS. Yes, sir.

Mr. GARNER. If we voted a lack of confidence in the Government, the President would continue as President of the United States and the same men would make up the new budget. There is the difference.

Mr. COLLINS. Yes, sir; you could not do that here.

The CHAIRMAN. Mr. Collins, if I understand you, you have assisted Senator McCormick in the preparation of a budget plan for the United States. Does that plan in all respects meet with your approval, and is it the plan you would suggest for the United States?

Mr. COLLINS. In general, yes, sir. I think I should make some changes in it. You are referring now to the budget plan that is embodied in this House document?

The CHAIRMAN. More particularly in the latest bill which Senator McCormick has introduced in the Senate.

Mr. COLLINS. I think the bills there show some changes.

The CHAIRMAN. I would ask you, then, to state what you would propose as a budget system for the United States?

Mr. COLLINS. My opinion is that as far as possible we should use existing agencies and follow American precedents. If I may refer to the early practice of the Government, in the beginning, from 1789 to 1796, the estimates were brought in by the Secretary of the Treasury largely upon his own responsibility. He had authority under the law to prepare the estimates. Hamilton's first report on the public credit is actually a budget. It is a statement of the resources of the Government, an estimate of the revenues for the coming year, and an estimate of the expenditures. It is gotten up in budgetary form, and it might be said that we started out with a budget system.

Mr. GARNER. Under the present law the Secretary of the Treasury could do the same thing now if he desired, could he not?

Mr. COLLINS. Theoretically, I should say so, but, practically, I do not see how he could do it without certain machinery that he has not now.

Mr. GARNER. But the Treasury Department has not asked for the machinery with which to perform this function; at least I do not recall any such request in the 18 years that I have been here. Will not the laws on the statute books now permit the same thing that was done by Mr. Hamilton?

Mr. COLLINS. Perhaps you are right, but in Mr. Hamilton's time the Government was very small.

Mr. GARNER. But criticism has been leveled at Congress—I think very unjustly. I am of the opinion that the real fault lies, if it lies anywhere, in the executive branch of the Government. The latter now has the same power that Mr. Hamilton had when he was Secretary of the Treasury and sent a budget to Congress. It can not be said that it is for want of machinery, because nobody has asked for that.

Mr. BYRNS. Up to the present year Congress appropriated \$15,000 a year for a number of years to improve the business methods in the Treasury Department. It is clear that if any request had been made of Congress for additional money with which to improve the methods in the department, or rather to give them the machinery necessary to conduct this investigation, Congress would have readily granted it.

Mr. TEMPLE. Would it not be a good thing, whether the executive department wants to do it or not, for us to ask them to do it for our benefit so we could have the information?

Mr. GARNER. We did that on March 4, 1909. We enacted a law at that time directing or authorizing that very thing. I do not know

whether it is in the form of "shall" or "may." Now, when we authorize it and express a willingness for it to be done, that is equivalent to a request that it be done. Although we did not go so far as to say, "You shall do that," it was authorized to be done and Congress took it for granted that it would be done.

Mr. COLLINS. That is a question that has not been emphasized in the public discussions.

Mr. HAWLEY. Furthermore, the Executive has not availed himself of the opportunities that were authorized and afforded by Congress in the act of 1909.

Mr. COLLINS. That is the act I was speaking of. It has never been put into execution.

In 1791 the Ways and Means Committee was appointed, and in 1802 it was made a standing committee. From 1802 to 1865 the Ways and Means Committee was practically the budget committee of Congress. It had jurisdiction over all branches of financial legislation, the revenue, appropriations, and even banking and currency. In our early history the Ways and Means Committee was in very close cooperation with the Secretary of the Treasury. From 1865 to 1885 there were two committees, the Appropriations Committee, which handled all the appropriations, and the Ways and Means Committee, which handled all revenue legislation. In 1885 the present division was made.

Mr. GARNER. Who was chairman of the Appropriations Committee at that time?

Mr. COLLINS. In 1885?

Mr. GARNER. Yes.

Mr. COLLINS. Mr. Randall. That division was made, not with any idea of improving the financial administration of the Government or the financial procedure of the House, but it was made largely on other grounds—on political grounds.

Mr. GARNER. It was done to punish Randall.

Mr. COLLINS. Yes, sir.

Mr. GARNER. They wanted to take that power away from him, and so they created additional appropriations committees.

Mr. COLLINS. Criticism was made, of course, on the floor of the House at that time by Members on account of that division of authority. At the beginning of the Government we had one single appropriation bill for all appropriations, and, I think, the first division was made in 1794, when they took away the military branch of the Government, and appropriations for the Army and Navy were carried in a separate bill but the Civil Service was continued to be provided for in a single bill until 1837. Now, I revert to these things simply to show that we have some background in our own Government for many of the suggestions that have been made looking toward budgetary reform. My idea of a budget bureau is that it should be either in a separate department of Government, a department of finance, or else in the Treasury Department under the Secretary of the Treasury.

I think that if we have a budget bureau with a director at the head of it responsible to the President he really will eventually become a very powerful officer. I do not believe that the President of the United States has the time, or ever will have the time, to go into these questions of financial details or to settle all of these dis-



putes on the merits of proposed expenditures. I do not think that he would have the time to go into the reasons why and attend to the other burdens placed upon him unless there is some radical change in our system. He would delegate the authority to the director.

Mr. CAMPBELL. How conclusive would you make the findings of the budget, by whoever created?

Mr. COLLINS. If we had a department of the Government devoted entirely to the question of economy and efficiency in public expenditures, with a permanent personnel of officials who would be there under the director, and not removable for political causes, I would give him power to use the pruning knife on those estimates at their source, the policy of the Government having been decided. I mean by that the policy that the President of the United States is authorized by the Constitution to recommend, but I do not mean to imply that the President has the power to fix the policy of the Government.

Mr. CAMPBELL. We have many permanent officers now as chiefs of bureaus in all of the departments of the Government. In your experience, or from your knowledge of the executive departments of the Government, have you ever known of a bureau chief to intimate that it would be wise to practice economy?

Mr. COLLINS. They are naturally not interested in reducing their own expenditures.

Mr. CAMPBELL. Have you ever known of one to prune in any degree whatever an item in an appropriation bill?

Mr. COLLINS. His own estimates?

Mr. CAMPBELL. Or anybody else's.

Mr. COLLINS. It is conceivable that he might be interested in somebody else's department being curtailed.

Mr. CAMPBELL. You have never heard of one of those civil-service or Executive appointees under the Government of the United States advocating economy, have you?

Mr. COLLINS. No, sir; but if we had a department devoted entirely to that that would be its business.

Mr. GARNER. You would have a different situation. It is the business of the bureaus now to reach out and get all the power they can, but it would be the duty of this bureau to try to cut down the expenditures of all the other bureaus of the Government.

Mr. KITCHIN. You have given us your idea of the British budget system, or of the way they appropriate. Now, will you give us an idea of how we do it, or how the United States makes these appropriations and estimates?

Mr. COLLINS. Do you mean as it is done now?

Mr. KITCHIN. Yes; how does this Government do it?

Mr. COLLINS. As I understand it, the estimates are prepared in the bureaus that spend the money in the first place. Theoretically they are supposed to be revised by the head of the department, but practically I do not think that they are revised by anybody. I think they represent what those bureaus desire to spend for the ensuing year. They represent their natural ambitions and plans, and in some cases in anticipation of reductions by the committees of Congress they, perhaps, put in more than they expect to get. Those estimates are sent in to the Treasury Department where they are collected in book form and printed in a certain amount of order, but no revision

takes place there, the Secretary having no power of revision. The Treasury Department's estimates come in along with the rest of them.

Then, that Book of Estimates is transmitted according to law to the Speaker of the House of Representatives, and the Speaker of the House of Representatives apportions the estimates to the various appropriating committees having jurisdiction over the respective departments. The appropriating committees at given times conduct hearings on the basis of the estimates and on the basis of the appropriation acts for past years. At those hearings appear the persons who made the estimates in the first instance and other officials interested largely in securing the appropriations. The committee may invite other witnesses as it sees fit. At the hearings there is more or less of a contest between the members of the committee and the representatives of the bureaus, largely over the matter of gaining information as to what will be done with the money and other such questions.

Mr. KITCHIN. Have you ever observed—and you have been a close observer of those things—have you ever observed any tendency on the part of the appropriating committees of the House to cut down the estimates? Have you observed any tendency on their part to try to economize?

Mr. COLLINS. I think that has been the history of the Appropriations Committee. It has consistently done that. I think Mr. Fitzgerald said in the hearings before the New York constitutional convention that the Appropriations Committee from 1913 to 1916 reduced the estimates of the departments by about \$100,000,000.

Mr. KITCHIN. Have you observed in other appropriating committees, like the Committees on Naval Affairs, Military Affairs, and Foreign Affairs, a tendency to reduce appropriations below the estimates?

Mr. COLLINS. They no doubt do reduce them, but I do not think to the same extent that the Appropriations Committee does. Those committees, like the Committee on Agriculture, are in a different psychological situation from the Appropriations Committee, each of those committees being a committee for a given department, rather than a committee which would naturally, more or less, represent the Treasury.

Mr. KITCHIN. Have you ever observed that any of those appropriating or authorizing committees have refused to adopt projects that have been submitted by the administration or by different administrations?

Mr. COLLINS. Yes, sir; quite commonly.

Mr. KITCHIN. Have you observed that they have reduced them in the last 20 years by a billion dollars or more?

Mr. COLLINS. Yes, sir; that is true.

Mr. KITCHIN. Do you think that the Congress has a tendency to be extravagant or a tendency to be economical, as compared with the administrative branch of the Government?

Mr. COLLINS. I should say that the system, on the face of it, from the standpoint of theoretical finance, with the appropriating committees without any coordination of effort, would be a system that would tend toward extravagance.

Mr. KITCHIN. I am asking about the actual facts now. Whether Congress has tried to keep down expenditures on the whole and to

keep out projects that would be a burden upon the taxpayers of the country?

Mr. COLLINS. I think Congress has done that.

Mr. KITCHIN. Has it done that, or has it been anxious to be extravagant?

Mr. COLLINS. I think that Congress had been and is anxious to cut down those estimates much more than the bureau chiefs have been and are—that is, the bureau chiefs have cared less for the Treasury—but those estimates as they come to Congress could be cut down still further by being bona fide estimates when they come.

Mr. KITCHIN. Now, you spoke about the Appropriations Committees having witnesses come before them. Do you not think that the most appropriate witnesses we could have before the committees are the men in the departments or bureaus who make the estimates?

Mr. COLLINS. Yes, sir.

Mr. KITCHIN. Rather than have persons who are not in any way connected with the Government and who know nothing about it?

Mr. COLLINS. Yes, sir.

Mr. KITCHIN. What other witnesses would you suggest that those committees should call?

Mr. COLLINS. None whatever. That is the only way to get information.

Mr. KITCHIN. I have read so many articles and books about the budget system, and so many criticisms, that I came to the conclusion that the authors wanted the committees to call persons outside the Government before them, as though none of the department heads knew anything about the business of the Government.

Mr. TEMPLE. Does not that depend on the particular author you are thinking about?

Mr. KITCHIN. I can not keep all of them in my head.

Mr. COLLINS. I think that generally the viewpoint of Congress has not been exploited in the writings, and I think that the facts brought out in these committee hearings have been a great contribution to the subject from the congressional point of view. It is the first time in the history of the country that exactly this kind of a hearing has been held.

Mr. HAWLEY. Do you not think that the facts brought out in these hearings will justify that point of view?

Mr. COLLINS. Yes, sir; but I say that the writers have not seen all of these facts.

Mr. KITCHIN. For instance, Congress should be given credit not only for trying to reduce the estimates, or the appropriations, but for grant what they actually need or ought to have, but Congress should be given credit for not adopting projects that the various commissions have favored. For instance, here is the Lane bill, which ultimately require from four to five billion dollars more. Have you heard of anybody giving Congress credit for not adopting this one, credit for not adopting that one?

Mr. TEMPLE. You do not know yet what Congress has done.

Mr. GARNER. In order to keep the record straight, I suggest that that is the Mondell bill. Mr. Mondell is the name of the member of the Cabinet is not it?

Mr. Mondell should have the credit for all that.

Mr. Kitchin should not take away from the Republican leader credit for an important bill that he introduced in Congress.

The CHAIRMAN. I am sure that the Republican leader would not want to take from the Secretary of the Interior all the credit.

Mr. KITCHIN. I would not for a moment take any credit from Mr. Mondell for adopting the Lane bill and introducing it. I understand that the President in his message very strongly urged the passage of the Lane bill. The Secretary of the Interior, at the head of a great department, and a fine, able, and distinguished gentleman, urged it in the last Congress and urged it in this Congress, and yet Congress has not seen fit to adopt it. Do you not think that Congress ought to have credit for refusing to adopt some of those recommendations that never come through as estimates at all?

Mr. COLLINS. I think so, sir, where that is done in the interest of economy. But those things are largely matters of policy.

Mr. TAYLOR. Just to supplement the record further I will say that as chairman of the Committee on Irrigation of Arid Lands in the last Congress I had charge of that bill, and I reported it out of committee myself.

Mr. KITCHIN. We will not hold that against you in this committee.

Mr. TAYLOR. Do you not feel that the adverse criticism that has been apparently leveled by various writers against Congress is unwarranted in view of the fact that Congress is the only body in this Government that has put any brakes on the administration for a great many years, regardless of what party may have been in power? There has always been more or less grabbing, you might say, at the Treasury, and Congress has been protecting the Treasury and getting the blame, while other people who have submitted extravagant claims have been going scot free all the time. Why do not those writers, if they have made the investigations that they ought to have made, discover that fact, and why do they not direct their attacks against the administrative side of the Government, rather than the legislative?

Mr. COLLINS. I think that the criticisms of Congress have been overemphasized, and that there should have been more attention paid to the administrative end of it. I think that the fact that the President had this law of 1909 was largely overlooked, especially in view of the fact that it is practically inoperative and is not well known.

Mr. TEMPLE. In connection with what you were saying a while ago, when you were indicating the course taken by the estimates from the bureau chiefs to the heads of the departments, and then from the Secretary of the Treasury to the Speaker of the House of Representatives, I want to ask you whether or not the Secretary of the Treasury sends them anywhere else?

Mr. COLLINS. I do not now recall whether they go to the Senate.

Mr. TEMPLE. Here is the law you were speaking of, and it possibly slipped your memory for the moment [reading]:

The Secretary of the Treasury shall transmit the estimates to Congress as heretofore required by law and at once transmit a detailed statement of all of said estimates to the President, to the end that he may, in giving Congress information of the state of the Union and in recommending to their consideration such measures as he may judge necessary, advise the Congress how in his judgment the estimated appropriations could with least injury to the public service be reduced so as to bring the appropriations within the estimated revenue.

**Mr. COLLINS.** That is the law of 1909?

**Mr. TEMPLE.** Yes. So that the Secretary of the Treasury, in addition to sending them to the Speaker, is required by law to send them to the President for the purpose of having the estimates reduced by the President, or those that ought to be reduced. That is a requirement of law.

**Mr. KITCHIN.** Is not this the fact, from your knowledge of the situation: That if we have any real economy it must come from the administration, no matter which party is in power? More than nine out of every ten dollars appropriated by Congress is appropriated on estimates that the departments send down. If you are going to have an extravagant administration, Congress will be more or less extravagant, because it will generally follow the administration, but if the administration is for economy and will control the heads of his departments in their estimates, and desires from Congress only the appropriations that are actually necessary for the good of the service, it will as a rule have Congress behind it and there will be economy in appropriations. Does not the question of whether or not we will have a really economical Government come right down to the administration, or the President and his Cabinet?

**Mr. COLLINS.** I think that is true. It is largely a question of general policy, but I think that if we had close administrative control over these estimates at their source and if we had some sort of budget bureau to do that——

**Mr. KITCHIN** (interposing). I might supplement what I said by saying that we can help that by having some agency to help the administration; that is, with a budgetary system, or something that will help the administration.

**Mr. COLLINS.** Yes, sir; the policy having been decided, this bureau would endeavor to see that economical estimates were furnished to carry out that policy.

**Mr. GARNER.** You wrote a book on this subject in 1917?

**Mr. COLLINS.** Yes, sir.

**Mr. GARNER.** At the time you wrote your book you did not know about the law of 1909, did you?

**Mr. COLLINS.** It was not impressed upon me. I knew that there was no such law in operation.

**Mr. GARNER.** I call your attention to one statement in your book which indicates to my mind that probably you did not know of it. You say:

In other words, so far as the Executive is concerned, there is no financial policy.

Now, whose fault is it that there is no financial policy? It is not the fault of the law, but it is the fault of the Executive. You say "the President is powerless to act." I challenge the statement that he is powerless to act. He can call his Cabinet officers before him and say, "You are limited to this amount of money in your administration this year, and I demand that you cut it down." Around that Cabinet table he can say to each officer, "You can go so far and no further," because he has absolute control of the Cabinet.

**Mr. COLLINS.** If those Cabinet ministers have the machinery to do this——

**Mr. GARNER** (interposing). Suppose Congress should say, "Mr. President, you claim that you can not do this on account of the lack



of machinery, but you have never asked for it. Now, suppose Congress should give you \$500,000 in order that you might do anything that you desired to establish a financial policy in your administration." He has the legal power now to do it, or if he did not have the law he would have the power to do it, because the Cabinet is subject to his orders.

Mr. BYRNS. I recall that last year the Cabinet met and decided upon a policy whereby they would recommend no increases in the salaries of employees drawing over a certain amount, and each Cabinet member consistently complied with the general action of the Cabinet in that respect, showing that the Executive has the authority.

Mr. TEMPLE. If no man ever wrote a book until he knew all about the subject, there would be no books.

Mr. GARNER. I have read a great many different articles in magazines and newspapers on the budget system, and the attack in nearly every one of them is directed toward Congress. If they had turned their batteries during the last 10 years upon the Executive, they might have accomplished their purpose.

Mr. TEMPLE. Every one is the last word on the subject, but some man comes along and adds another word.

Mr. COLLINS. It is true that nearly all writers have approached the subject from the same point of view.

Mr. GARNER. Don't you realize, as you hear our viewpoint, that there is an opportunity to direct criticism toward the executive branch?

Mr. COLLINS. Yes, sir; there is, no doubt, much to be said along those lines.

Mr. KITCHIN. Mr. Collins, have you ever been present at the hearings of the Committee on Appropriations day after day and sometimes night after night, and heard the examination of the different witnesses the departments brought down to appear before the committee?

Mr. COLLINS. I have been present at a few.

Mr. KITCHIN. I think you would have a different idea if you were to be present and watch the Committee on Appropriations.

Mr. COLLINS. I have read a great many hearings and I have been present at some of the hearings.

Mr. TEMPLE. If the chairman will permit, and if Mr. Collins will blush unseen, I want to say that a good many of us have learned to distinguish between the critics of Congress and of the Government in general, who do know a good deal about the facts and whose criticisms are valuable, and the men who simply write because it is a popular subject and write on anything that may come up. That type of writer irritates me, and there has been a good deal of ignorant criticism; but I want to say that some of the very valuable books on this subject have been written by the two gentlemen who are present now—Mr. Willoughby and Mr. Collins.

Mr. BYRNS. I think that those writers who have undertaken to criticize the Government ought not to be excused because of the fact they did not have information as to the viewpoint of Congress. There has not been a chairman of the Committee on Appropriations, Mr. Tawney, Mr. Fitzgerald, Mr. Sherley, the present chairman, Mr. Good, and, so far as I know, preceding chairmen, have repeatedly called to the attention of Congress and to the country the manner in

which Congress makes these appropriations and the action of the executive departments in submitting estimates here.

Mr. COLLINS. I did not mean to give the impression of excusing writers who have criticized Congress.

Mr. TEMPLE. Of course, ignorant criticism is inexcusable, but at the same time you can not possibly prevent it, and the only thing we can do for our own consolation is to read the works of men who do know a good deal about what they are saying and direct public attention to those men.

Mr. HAWLEY. Mr. Collins, a little while ago you were discussing the question of a budget committee. Do you indorse the suggestion offered by Mr. Pratt yesterday on behalf of his committee that there should be a continuing body of five, or did I understand you this morning to suggest that there should be a permanent staff and then a director and possibly an associate director who might change with the administration, but have a permanent staff under them to do all the technical and detail work, and leave to the directors, who would change with the administration, the matter of taking up questions of policy and matters of adjustment with the departments?

Mr. COLLINS. Yes, sir; my idea of a permanent staff would be somewhat similar in status to the bureau chiefs that we have now. They do not go out when parties change. The director, whether he be an Assistant Secretary of the Treasury, or whether he be at the head of the bureau, I should think he would go out when the new administration came in.

Mr. GARNER. What you mean by a permanent staff would be the experts who would be under him?

Mr. COLLINS. Yes, sir.

Mr. HAWLEY. That would be very much like the British Treasury.

Mr. COLLINS. Yes, sir; to that extent. They would be appointed by the civil service, and would be civil-service employees of a high grade.

Mr. HAWLEY. That would obviate the criticisms made yesterday upon this suggestion of a budget commission of a permanent body of five men who might hold over under an administration with whose policy they were not in harmony.

Mr. COLLINS. Yes, sir; I should think that would take the policy out of the hands of the President, or might do it.

Mr. TEMPLE. Which is not a desirable thing.

Mr. COLLINS. No, sir. I think it would not work.

The CHAIRMAN. Mr. Collins, in connection with this discussion with regard to criticisms of Congress, would it not be fair to say that notwithstanding all of the published statements in books, newspapers, and magazines criticizing Congress, there has not been much criticism of the executive departments, even though they violate the plain provisions of the statutes? Let me call your attention to what was done just this last year: The act of June 22, 1906, provides:

Hereafter, the heads of the several executive departments and all other officers authorized or required to make estimates for the public service shall include in their annual estimates furnished the Secretary of the Treasury for inclusion in the Book of Estimates all estimates of appropriations required for the service of the fiscal year for which they are prepared and submitted, and special or additional estimates for that fiscal year shall only be

submitted to carry out laws subsequently enacted or when deemed imperatively necessary for the public service by the department in which they shall originate, in which case such special or additional estimates shall be accompanied by a full statement of its imperative necessity and reasons for its omission in the annual estimates.

Now, last year, when the Book of Estimates came to Congress, especially with regard to the estimates for the legislative, executive, and judicial bill, they carried the estimates for salaries under existing law. In violation of that plain provision of the statute, Secretary McAdoo sent to Congress a letter under date of December 2, 1918, House Document No. 1365, covering 92 pages, in which he submitted estimates for all of the departments of the Government with regard to salaried positions, increasing the salaries in many cases as much as 50 or 75 per cent, and increasing them in violation of the provisions of the statute, and there is not a word in that letter of transmittal as to the necessity for it or why it was not transmitted in the regular estimates. Therefore, the subcommittee on the legislative, executive, and judicial bill, ably presided over by Mr. Byrns of Tennessee, had before it two estimates from the Secretary of the Treasury, one in the regular annual Book of Estimates and the other in House Document No. 1365, yet nobody ever criticized that method in presenting a plan that nobody could be expected to work anything out. Everyone of those increases in an appropriation bill would be subject to a point or order on the floor of the House, because it was a change in existing law.

With that kind of violation of the law, how are you going to have an intelligent and economical and efficient financial plan? After all, whether our laws are good or bad, they ought to be enforced, and they ought at least to be obeyed by those who are in the administration of the law.

Mr. TEMPLE. If the chairman will permit, there is another incident which I would not have told two years ago while the war was going on, but it can be told now without any harm. In the estimates that came from the War Department, without going into details, there were duplications of estimates for machine guns, estimated for by the Signal Corps to equip flying machines before they established a separate air service, and estimates by the Ordnance Department for the same items, and when the estimates came before the Committee on Military Affairs, the Committee on Military Affairs picked out duplications for more millions of dollars than I care to mention even two years afterwards. If the thing had been known at the time, it would have affected the morale of the American people, which is as important as the morale of the Army, but the duplications were picked up and the information about them was simply suppressed.

Mr. HAWLEY. And those estimates came from the same department?

Mr. TEMPLE. Both came from the War Department. They had passed through the hands of the bureau chiefs, through the hands of the Secretary of War and the Secretary of the Treasury, and nobody had ever picked them up until they came to the Committee on Military Affairs.

Mr. TINKHAM. Is not all of this an indictment of our present system?

**Mr. TEMPLE.** Precisely; it shows the absolute necessity of having some orderly budget of estimates.

**Mr. TINKHAM.** Exactly.

**Mr. GARNER.** I agree with you that that is what ought to be had. There should be in the executive branch of the Government some adverse agency to scrutinize every estimate that is made, with discretion to recommend to the President that the estimates be cut down. The President would act through that agency because it is impossible for the President to look into these various estimates. He must be held responsible through some executive of his own, and I would think that if Congress would give him one individual, with sufficient money, to draw to his attention the estimates that are made by the various Cabinet officers and to bring to his attention any duplications here and there, then the President, through this individual or through a board of five individuals, as the case may be, although I would prefer one, could tell Congress, "These are the things that my budget committee or staff has decided are absolutely essential," and that may be many million dollars less than the Book of Estimates sent in now; but after all, I think we must direct the attention of the public to the fact that in the first instance the Executive is responsible for the requests for money.

**Mr. TEMPLE.** In the estimates I mentioned for machine guns and other materials, that amounted to a great many million dollars.

**The CHAIRMAN.** Now, Mr. Collins, you may proceed.

**Mr. COLLINS.** To go back to the budget bureau, as to the head of it—

**Mr. PURNELL.** Before you do that, you stated a while ago that from the very nature of things the President could not possibly scrutinize all of these proposals; you did not mean by that that you would want him to escape the responsibility.

**Mr. COLLINS.** Not at all. He would not escape the political responsibility.

**Mr. PURNELL.** It strikes me that the thing of prime importance in this whole proposition is to fix somewhere the responsibility.

**Mr. COLLINS.** Yes, sir; I agree with you there.

**Mr. TEMPLE.** The consciousness of responsibility.

**Mr. PURNELL.** Yes; that is a very good expression.

**Mr. GARNER.** The President being the only elective administrative officer, he is the only one you can hold responsible.

**Mr. COLLINS.** You would have to make him responsible through this financial organization because he could not personally attend to the details.

**Mr. GARNER.** That is just what I said.

**The CHAIRMAN.** Now, Mr. Collins, will you proceed with the explanation of your plan?

**Mr. COLLINS.** If the Secretary of the Treasury is made the head of this financial department, as he logically would be, theoretically, he would be in the Cabinet. He would eventually be the finance minister of the United States and would probably be the most powerful man in the Cabinet; but he would be directly responsible and responsive to the President, subject to removal at any time, and the President would be held responsible for his acts. If you provide a budget bureau with a director at the head of it, an independent bud-

get bureau, like the Federal Trade Commission; that is, independent in so far as other departments of the Government are concerned, but under the President, that director is going to do the work himself. The President is not going to be able to do it, and I believe the director of the bureau will become, in effect, more powerful than a Cabinet officer, at the same time not being a Cabinet officer. Now, if you make the director a Cabinet officer to begin with that would make his bureau or his organization a new department of the Government. A department of finance, which would have many advantages over giving it to the Secretary of the Treasury, because the Secretary of the Treasury now is one of the most overburdened of all the Cabinet officers from the standpoint of his various functions. He has numerous bureaus that have nothing whatever to do with finance. They are accretions from the past. I believe if the Treasury could be stripped of these nonfinancial functions, and I suppose eventually there will be some reorganization of the Government along these lines—perhaps this budget bureau may show the necessity for that—if the Treasury could be stripped of these extraneous functions, so that it would be purely and simply a financial department, as it was when it started out and as the finance departments of other governments are, then you would have, it would seem to me, an ideal head for an organization of this kind, a budget bureau.

The CHAIRMAN. But, Mr. Collins, you would still have about 20,000 or more clerks in the Treasury Department handling the revenue operations and the other purely financial matters—the men who are engaged in the mints and those who are employed in the Bureau of Engraving and Printing, etc.

Mr. COLLINS. I should take all those out.

Mr. TEMPLE. You are forgetting, Mr. Chairman, the 13,000 clerks in the Bureau of War Risk Insurance.

The CHAIRMAN. I had not finished. Now, who is going to examine and regulate the Secretary of the Treasury?

Even if you should take away the Coast Guard, the Public Health Service, the Bureau of War Risk Insurance, and even if you should determine that the Bureau of Printing and Engraving, which prints the bonds for the Government and the currency, was not a proper function and divorce that, you still have left the bureaus collecting the revenue of the United States, which would have to be under the control of the Secretary of the Treasury if he is to function at all. Now, who is going to regulate him and see that he does not boost up the salaries in his department, while perhaps exercising great care in reducing the salaries in the other departments?

Mr. COLLINS. I should go still further. I should take away the War Risk Insurance Bureau, the Bureau of Printing and Engraving, and even the Internal-Revenue Bureau, and make that a separate bureau or board. In other words, unless this financial department is devoted purely to the question of financial administration and is interested entirely in the question of economy and efficiency in financial operations, you are going to have something there that is not what it should be.

The CHAIRMAN. But, Mr. Collins, in doing that, do you not then divorce from the office of the Secretary of the Treasury some of the functions that really belong to that office, and you divorce them in order to create a minister of finance?



**Mr. COLLINS.** You mean the collecting of the revenue?

**The CHAIRMAN.** Yes; that has always been regarded as one of the chief functions of the Secretary of the Treasury, collecting the revenue.

**Mr. COLLINS.** Yes, sir; but that is not purely a financial function. That is a matter of physically collecting the money.

**The CHAIRMAN.** The Secretary of the Treasury is an executive officer and stands next to the Secretary of State.

**Mr. COLLINS.** Yes, sir; I know he does. He has too many executive duties now to give him this new function.

**Mr. TEMPLE.** In the States, the tax collectors are not connected with the State treasurer?

**Mr. COLLINS.** That is my understanding.

**Mr. TINKHAM.** Mr. Chairman, I would like to read, for the sake of the record, what the different bureaus or subdivisions of the Treasury are:

The Comptroller of the Currency.  
The Treasurer of the United States.  
National Bank Redemption Agency.  
Commissioner of Internal Revenue.  
Director of the Mint.  
Comptroller of the Treasury.  
Auditors for departments.  
Register of the Treasury.  
Federal Farm Loan Bureau.  
Bureau of Engraving and Printing.  
Bureau of the Public Health Service.  
The Coast Guard.  
Supervising Architect's Office.  
Bureau of War Risk Insurance.  
General Supply Committee.

**Mr. COLLINS.** The Secretary of the Treasury is also chairman of the United States section of the International High Commission.

**Mr. TEMPLE.** And until recently Director General of Railroads.

**Mr. COLLINS.** Yes, sir.

**The CHAIRMAN.** You may proceed, Mr. Collins.

**Mr. COLLINS.** That is the real difficulty and is one that will have to be thrashed out.

**The CHAIRMAN.** As long as that difficulty exists, then, and unless something is done to relieve that situation and separate some of these services that are nonfinancial from the office of the Secretary of the Treasury, would you think that it would be the part of prudence for Congress to impose upon the Secretary of the Treasury the obligation of preparing the budget for the President?

**Mr. COLLINS.** I do not think he could do it efficiently. I think he would be somewhat in the same position the President is now. The man with these budgetary would have to give his attention to details. There would be no escape from that. Some responsible officer will have to devote his whole time to the question of Government finance. It is a big enough job for that. His whole soul must be in this question of protecting the Treasury in every respect.

**Mr. TINKHAM.** In your opinion, should he be a member of the Cabinet?

**Mr. COLLINS.** I think he should be a member of the Cabinet. If he is not a member of the Cabinet, he is going eventually to have

powers perhaps superior to some members of the Cabinet; that is, unless the President finds some way to take on the functions of a minister of finance himself. Somebody has got to exercise the functions of a minister of finance. Practically every Government has such an officer as that. Our Secretary of the Treasury, of course, is not, and we have no such officer. He ought to be there at the Cabinet meetings to fight for the national treasury.

Mr. BYRNS. You will recall the objection made to that on yesterday when the statement was made that if he was a member of the Cabinet that he would be on the same footing with the other members of the Cabinet and would not feel at liberty to take issue with his colleagues. Do you not think, as a matter of fact, he ought really to bear a closer relation to the President?

Mr. TEMPLE. Do not members of the Cabinet at times take issue with each other?

Mr. COLLINS. I should think he would be a very powerful force in the Cabinet meeting. He would be there to fight for economy, and he would be the only one there who would be fighting for economy in the administration. The other men would be there in behalf of their estimates.

Mr. KITCHIN. Do you think he would be the most popular member of the Cabinet with all the other members of the Cabinet?

Mr. COLLINS. I think he might be very unpopular at times.

Mr. HAWLEY. Could he not be the personal representative of the President and attend the Cabinet meetings to advise and inform the President and to act with the President on these matters, and be an independent officer, a personal representative of the President on finance?

Mr. COLLINS. I do not know how that would work out, as a matter of practice.

The CHAIRMAN. Is it not possible that the courtesy which now exists in one of the legislative branches of the Government might be transferred to the Cabinet, and, as a result of such courtesy, each Cabinet member would be given just what he asked for.

Mr. GARNER. In other words, in the administration of this matter, if we carried out the suggestion you make and strip the Secretary of the Treasury of all these bureaus and made him purely a finance minister for the purpose of protecting the Treasury against the raids of his co-ministers, if he should decide that a liberal allowance for all these departments was necessary, you would have the same condition of affairs that you have to-day.

Mr. COLLINS. That would be a matter the President would have to take responsibility for.

Mr. GARNER. And, after all, it is a matter with the President of the United States as to whether he will practice economy in his administration, and under the present law and under the present arrangement, if he desires to do that, he has the power to do it.

Mr. TEMPLE. And then Congress finally has to pass on it.

Mr. COLLINS. Yes, sir; but this question of financial administration goes deeper than the question of policy in this way: The actual economic administration of the finances, after the money has been granted by Congress, and also the getting at these estimates by their incipency and criticizing and revising them will naturally, it seems to me, result in economies.

Mr. GARNER. As I illustrated a moment ago, it may be that the finance minister would not criticize them but send them all into Congress, just as he does now—send his budget to the President, as he does now; provided, of course, that the finance minister did not do as you and I think he ought to do—that is, criticize and cut out the various things he thinks are not necessary.

Mr. COLLINS. This permanent staff under him would be constantly at work, regardless of him, on these matters of detail. After the policy was decided they would bring forward economical estimates.

Mr. TINKHAM. Under the present system can the administration or the Congress know whether they are extravagant or not until the end of the session? Is that true?

Mr. COLLINS. I think so.

Mr. TINKHAM. Whereas under the proposed budget system, at the beginning of the Congress, both the Congress and the people would know by the budget plan, as to total appropriations, whether it was an extravagant or an economical administration; and is not that one of the purposes of the budget system and one of its valuable purposes?

Mr. COLLINS. Yes, sir; it would give publicity to the thing in the very beginning before action was taken.

Mr. TINKHAM. Whereas, under our present system, none of us knows until the end of the session whether we have been extravagant or economical?

Mr. COLLINS. That is true?

The CHAIRMAN. You may proceed, Mr. Collins.

Mr. COLLINS. Coming now to the question of Congressional procedure, I think practically every student of finance is in favor of a single budget committee, on the ground that somewhere at sometime in the consideration of these estimates by Congress, there ought to be a review of the finances of the Government as a whole considered. Various suggestions have been made. One that all committees be abolished and a new budget committee created; another that the budget committee be a sort of supercommittee composed of the chairmen and others of existing appropriating committees. I realize that that situation is fraught with practical difficulties, and I do not know exactly what to say about that; but I feel very strongly that you ought to have a budget committee. It ought to have the power of revision. If this can not be done at this time, you might have a single committee without the power of revision, which would view the budget as a whole and be able, at least on the floor of the House, to criticize the increases which might be made by the various appropriating committees: that is to say, I mean criticised from an intelligent standpoint of having considered the finances as a unit.

Mr. HAWLEY. That is, if the present system of having a number of appropriating committees were continued, you suggest another committee which would inform itself on all these matters and go in on the floor of the House and contest over these appropriations with the appropriating committees.

Mr. COLLINS. Yes, sir. I would suggest that as the least best thing. I should prefer to see, of course, a budget committee with power to hold hearings and make their report.

Mr. GARNER. In other words, you would rather have one appropriating committee in the House of Representatives than to have the number we now have.

Mr. COLLINS. Yes, sir; I think the split up in 1885 was a mistake.

Mr. GARNER. If you could give the committee some suggestion as to how that could be brought about, when you have 173 members of appropriating committees now, I think it would be quite interesting.

Mr. COLLINS. I realize that that is the practical difficulty.

Mr. KITCHIN. Mr. Collins, you understand that the Committee on Public Buildings is not an appropriating committee?

Mr. COLLINS. Yes, sir; I know they make no appropriations themselves.

Mr. KITCHIN. They simply make authorizations. Do you think the public buildings bill is usually smaller; that is, usually carries a smaller amount than it would otherwise carry if it was an appropriating committee? It has been my observation that that committee uses the fact that it does not appropriate the money, but some other committee does, but simply authorizes the buildings as an argument in getting the bill through. I am sure that the bills I have observed have been several million dollars more than they would have been if that committee really appropriated the money and had such responsibility fixed upon it. They go around to a Member and say, "This bill ought to be passed," and the other man says, "This bill carries thirty or forty million dollars," and they say, "No, the bill does not appropriate a cent. The Appropriations Committee is going to appropriate the money and the responsibility for appropriating the money is on them. This is just an authorization." They have used that as an argument sometimes to get big public building bills through. I have had Members to use that on me several times. If the right or power of appropriating money was taken from all the committees and put into one committee with the power to initiate legislation and authorization binding the Government to future appropriations left in such committees, do you think the authorizations would be less or more?

Mr. COLLINS. You mean less than they would be if the committees were as they are now?

Mr. KITCHIN. More than if they had the responsibility of appropriating the money?

Mr. COLLINS. I would say it would be less. You see, we would have the budget to start out with. It would be considerably reduced on account of the work of this budget bureau. I think, however, this is a theoretical question—that it would be less with one committee when you fixed the responsibility. They would start with bona fide budget estimates.

Mr. KITCHIN. That is theoretical; but suppose you look up the proposition and see what has been the experience of those committees that do not appropriate. If you had been around the Capitol as I have and heard the arguments used on those public buildings bills, I think you would get the impression that they would not have been larger if they had been responsible also for making the appropriations.

The CHAIRMAN. It has always been the policy, as suggested by Mr. Kitchin, for the Committee on Appropriations, without much exami-

nation to report out appropriations for public buildings when the buildings have been authorized and estimated for by the Treasury Department. The question has risen in my mind as to whether or not the Committee on Appropriations should make an investigation into that department and into every single item to ascertain whether or not the appropriation is to be expended for a building that is actually needed in the public service. Now, I can well realize how a committee would be quite unpopular that would refuse to report out an appropriation for a public building that was authorized and estimated for by the Treasury Department, but, nevertheless, to what extent should the committee investigate items of that kind? Should it weigh that item with the same scales that it weighs other estimates of the departments and eliminate the items if it is for an expenditure of money that is not really needed for the benefit of the public service?

MR. COLLINS. I should think so, and if you had a budget committee you would have the power to take the same attitude toward that appropriation as toward others.

MR. TAYLOR. Your idea is that if we had a budget committee we would not have that condition of unwarranted authorizations?

MR. COLLINS. Yes, sir; that would be criticized in the first instance.

THE CHAIRMAN. It may in the future be criticized in the second instance.

MR. TINKHAM. If he had a budget, what have you to say concerning cabinet representation on the floor of the House during the debate on the budget?

MR. COLLINS. That question has been very much discussed and written about. Cabinet members now have the privilege of the floor of the House, as I understand it, but they have no voice.

MR. TINKHAM. And of course, they could not have any vote.

MR. COLLINS. No, sir; they could not have any vote. It has been considered generally by students of finance that it would be a good thing if you had somebody on the floor of the House to explain and defend the estimates of the departments under their jurisdiction from the administration's point of view.

MR. TAYLOR. If Cabinet officials were brought on the floor under the present policy they would demonstrate to the country how little personal knowledge they have of their departments.

MR. TINKHAM. That might be a good thing.

MR. TAYLOR. Possibly it would.

MR. COLLINS. That is practically the universal policy in parliamentary countries. Of course, with committees holding hearings and getting information themselves on questions of appropriations, our Congress is in a much more advantageous position in the matter of information than are the foreign parliaments where there is no committee examination of the estimates. The only man there who has any information is the man who is responsible for the estimates, and he explains and defends them. Under our system, where the committees hold hearings, and they have the information already, the Members of Congress are in a position themselves to explain and defend a great many of those estimates. I still think, however, that from the ideal standpoint, it would be a good idea if we could have the Cabinet officer, or somebody who knows about the estimates, some



high official of the Government, there to explain and defend the estimates. I do not know whether such a thing is feasible or not.

Mr. TEMPLE. You would give the Cabinet officer formal notice of the interpellation?

Mr. COLLINS. Yes, sir. He would study his estimate then, and he would not be ignorant of them. He would be bound to go into the matters in detail.

The CHAIRMAN. Why should not Members of Congress have the right to go down, in the presence of the Cabinet officers, and tell them how to run their business?

Mr. COLLINS. The only object in having the Cabinet officer on the floor would be to afford him the opportunity to answer the questions of Members of Congress who would want to know about the estimates. It would be for their information.

The CHAIRMAN. I think we would get the information a great deal more accurately from the persons who know something about the matters.

Mr. COLLINS. I think that under our system we have that advantage. We have an advantage that they have not in foreign governments, because the members of the appropriating committees have already held examinations and have informed themselves.

The CHAIRMAN. The very weakness of the law in some respects in regard to the budget ought to have actuated the Cabinet member to be more efficient, because of the responsibility thrown upon him with regard to his particular department. He ought to know every detail of it, and whatever weakness there may have been in the law should have been supplemented or remedied on his part by a determination to know his department. Yet there is scarcely a member that does know his department or who could give any information to Congress or to the committees with regard to the details of his estimate.

Mr. TEMPLE. I am not so sure whether a man in any big business knows all the details.

The CHAIRMAN. I would make two or three exceptions to that general statement.

Mr. TEMPLE. I am not so sure whether any man in any large business organization knows the details, but he has somebody in his employ who knows for him. I have heard Mr. Carnegie say in answer to a question, "I don't know, ask Charlie Schwab; he knows."

The CHAIRMAN. If that is the case, we want Charlie Schwab and not Carnegie on the floor. If he does not know, then he should send a clerk who does know. Instead of recognizing position, we should recognize information, if that is what we want.

Mr. COLLINS. I believe that the Cabinet officer under the budget system would have much more information about the operations of his department than at the present time. He would be called upon to make decisions from time to time and would be called into consultation. When the representatives of the budget bureau raised the question with one of his bureau chiefs that this thing ought not to be done this year, or that, perhaps, the estimates should be lower than the chief has recommended, that would be taken up with the Cabinet officer. After discussing it and considering it, he would have to decide it. In that way he himself would receive something of a

financial education in the matter of the operations of his own department.

The CHAIRMAN. Under our present practice, every Cabinet member is given the fullest opportunity to come before the committee having in charge his estimates and to make the fullest and most detailed explanation of them. Then, every word that he says is taken down by the reporter and is printed so that the membership of the House have full information. If you adopted that plan, you would simply transfer from the committee room the detailed conscientious work that is done there by the various appropriating committees to the floor of the House, where the information would be hasty and would be heard by but a few persons when the vote in the committee was taken; whereas, under the present plan of having the Cabinet members or representatives of the departments come before the committee, all the membership of the House, days before the bill is considered, have the views of the Cabinet member in cold print. I submit that in that respect our present plan is preferable to a plan that would just transfer the activities of the appropriating committees to the floor of the House where really a comparatively few members participate in the deliberations and where no scientific inquiry is made.

Mr. COLLINS. If Congress has the information already, then they do not need the Cabinet member there.

The CHAIRMAN. We do have the information, and if the Cabinet member wants to come before the committee, he can do so. Until a few years ago all of them came, but now I think that on the last bill only one or two appeared.

Mr. COLLINS. I was under the impression that questions arose on the floor of the House during the debate on appropriation bills from time to time which could not be answered immediately by the members in charge of the bills, or by any other members, and that it would be an advantage to have the Cabinet members present.

The CHAIRMAN. That frequently happens, and it more frequently happens when we ask a Cabinet member in the committee room for information that he turns around to the chief clerk or head of the bureau and asks him what the answer is. He does not know, and if he were on the floor of the House it would simply reveal his ignorance and place him in rather a poor light before the public. He appears before the public as one possessing all information with regard to every matter that comes before his department, and his appearance on the floor of the House would explode that theory.

Mr. BYRNS. Is there not another objection that might be urged to giving members of the Cabinet a place on the floor of the House, and that is that you would find that they would not attend the sessions of Congress and when Congress wanted them they would not be there? Is not that one of the criticisms made in the English Parliament to-day—that is, that the ministers frequently do not attend the meetings of Parliament, when they are needed?

Mr. COLLINS. Could you not compel the attendance of members of the Cabinet at certain times?

Mr. BYRNS. You might do that, but if you undertook to adopt a policy of that kind the question would then arise as to whether the Cabinet member had the opportunity or time to look after the executive business of his department.

The CHAIRMAN. It would require them to stay in Washington, no doubt, too.

Mr. COLLINS. I understand that under the British system the cabinet officer or head of department sits on a bench and behind him is an undersecretary or official who knows the facts, and he hands them out to the minister from time to time from behind. Still, the system there is different: The head of the department is a member of Parliament, and it is his duty to be there and defend the operations of his department on the floor.

Mr. BYRNS. Has not criticism been made by some committee on expenditures, or whatever it may be called, that frequently the minister is not there when they want to interrogate him?

Mr. COLLINS. Yes, sir; there has been considerable complaint of that.

I would like now to pass to a brief consideration of the British audit system.

The CHAIRMAN. We will be glad to hear you on that.

Mr. HAWLEY. I would like to ask you some questions regarding the operations on the floor of the House, if your suggestion should be adopted: What right would you give to Members to offer amendments to appropriation bills?

Mr. COLLINS. I have been in favor of very strict limitations on the right of private members to exercise the financial initiative in legislation, and I think that students of finance in general are in harmony with that view, but I think that Mr. Garner raised a point the other day that is almost unanswerable—that is, that it would take away from a majority of the House the power to control by a majority vote; that it would prevent a party having only a majority from carrying out its financial policy. Then there was another point brought out by Chairman Good that the amendments now offered in this respect are negligible. I should think that if we started out without any such limitation as that, if it did appear in any instance that the system was being abused, the abuse would be very evident, especially if you had a budget system. It would be clearly evident and it could be corrected at that time or at any time by a change of the rules.

Mr. TAYLOR. The people would correct it, would they not, if the House abused that right at all?

Mr. COLLINS. Yes, sir; the responsibility would be known.

Mr. TEMPLE. It seems to me that that is one thing that would be likely to be controlled by public opinion—that is, the public opinion in the House. A man who would make proposals that would upset everything would be unpopular.

Mr. COLLINS. Yes, sir; but, at least, theoretically, a man who is a good orator might make a fine speech and get the Members worked up to a high pitch where they might take ill-considered action. It is simply a psychological proposition.

Mr. HAWLEY. Do you know of any instance where a man being a good orator has made a fine speech and has affected an appropriation bill much?

Mr. COLLINS. I do not recall an instance like that, but, theoretically, it seems to me that it would be possible that a man by a fine sweep of oratory would carry the thing through.

Mr. HAWLEY. I have heard men make fine speeches and win applause on both sides, and yet lose their motions.

Mr. TINKHAM. Suppose a budget bill came in, for instance, for this year, or let us assume that there has been a budget proposed and some one from the floor of the House proposes an amendment carrying additional pay for soldiers. Would not that be a situation that ought to be prevented, perhaps, by a two-thirds vote?

The CHAIRMAN. That proposition would be prevented by the rules, because it would be subject to a point of order. One man could stop that by raising the point of order. If anybody offered that amendment on an appropriation bill I would certainly make the point of order against it, and the Chair would have to sustain it if he followed the law.

Mr. TEMPLE. If the appropriation is not authorized by existing law it does not take a two-thirds majority to stop it, but one member of the House can stop it.

Mr. HAWLEY. As the chairman stated, when they proposed to insert the appropriation for the Employment Service and when amendments were made in four or five different forms, Mr. Garrett, of Tennessee, who was in the chair, ruled that they were out of order.

Mr. TINKHAM. Of course there are many laws under which appropriations might be very proper but which at the same time might not be financially sound. The two-thirds proposition would prevent that.

Mr. TEMPLE. The existing law would not fix the amount.

Mr. TINKHAM. No.

Mr. TEMPLE. There might be an authorization for a certain expenditure and the amount might be increased by amendment. Such amendment would not be out of order.

The CHAIRMAN. We would like to hear you on the subject of the British audit system.

Mr. COLLINS. Prior to 1866 the British system of auditing public accounts was very similar to our own to-day—that is to say, the auditing was under the control of the executive branch of the Government, the treasury; but as a result of reforms inaugurated by Mr. Gladstone, they created a public accounts committee, and then a little later the office of comptroller and auditor general. That officer is a very high permanent official. He holds tenure practically for life and is removable only by action of the two houses.

The CHAIRMAN. How is he appointed?

Mr. COLLINS. He is appointed by the Crown upon the recommendation of the Government. That method has been criticized because the executive controls his appointment. Some British statesmen have thought that perhaps he should be appointed by the Speaker or in some way by the legislative branch.

Mr. TINKHAM. Did you state what his tenure was?

Mr. COLLINS. He holds the same tenure as a judge; that is, practically for life. He has a force of about 200 subordinates, and there is an assistant auditor general, who is also a high-salaried man, appointed in like manner as the auditor general, and I think it is understood that he will become the auditor general in case of a vacancy.

Mr. TINKHAM. What is his salary?

Mr. COLLINS. The salary of the auditor general, I think, is \$10,000 a year, with certain other privileges of retirement, which would make it more attractive.

The CHAIRMAN. What are the retirement provisions? Is he permitted at a certain age to retire?

Mr. COLLINS. I think that at a certain age he can retire with a certain pay. I do not know the exact situation. He conducts a continuous audit of the accounts, and all the expending officers report to him any irregularities. He can not inquire into questions of policy, but he inquires into the question of whether the money is being spent according to the appropriations of Parliament, into questions of legality, regularity, extravagance, etc. He is the critic and he represents the House of Commons. He reports to the public accounts committee, but he only reports once a year and after the expenditures have been made. In other words, it is a post-mortem examination that the committee on public accounts holds. The committee on public accounts takes his report and goes over it and calls before it the offending officers of the Government, or those who have been guilty of irregularities. They are called upon to explain at public hearings before the committee, the committee being presided over by a member of the opposition, so that the criticisms are real criticisms.

Mr. HAWLEY. I was reading a statement by the comptroller and auditor general the other day, and I understood him to say that he reported continuously to the public-accounts committee.

Mr. COLLINS. No, sir. That was one of the criticisms made in the report of the committee in 1918, and one of the recommendations of the committee was that he should be given authority to report immediately upon the discovery of irregularities. He has only been reporting once a year. That is my understanding of the situation.

Mr. HAWLEY. I think the report of the auditor general stated that he reported continuously to the public-accounts committee, or at different times when he found those matters, and that they took them up and considered them.

Mr. COLLINS. No, sir; they meet regularly upon his report, and they hold hearings about twice a week. The public-accounts committee is composed of men who have served for years in financial matters, and they are very strong along those lines. They have no means of getting at current irregularities, so far as I understand it. I think you will find in this report that the chairman has a recommendation to that effect.

The CHAIRMAN. That is my recollection.

Mr. COLLINS. It is recommendation No. 26 in the ninth report.

Mr. BYRNS. Under the British system, does the auditor general have the right to disallow claims?

Mr. COLLINS. No, sir.

Mr. BYRNS. Does he have the right to pass on the legality of claims?

Mr. COLLINS. Do you mean before the money is spent?

Mr. BYRNS. Yes.

Mr. COLLINS. No, sir. He is the comptroller, but that is a perfunctory function and is merely formal. He passes on the requisitions as they pass through his hands only to see that there is money available. He has no discretion as to the issue.



Mr. BYRNS. That system is different from ours, because the Comptroller of the Treasury under our system has the right to pass upon the legality of claims and to disallow them.

Mr. COLLINS. Yes, sir. The British officer has not that power.

Mr. HAWLEY. He raises the question with any spending department if he thinks they are spending money contrary to the intent of the law?

Mr. COLLINS. Yes, sir; he raises the question and notes it on his report if the expenditure is improperly made.

Mr. HAWLEY. He raises the question at the time the expenditure is proposed?

Mr. COLLINS. He may do that, and he has a persuasive influence also. He has informal conferences by telephone and by visits when those questions come up. They are reported to his office, perhaps, by telephone, and he has some effect in that way, but he has no authority to stop an expenditure.

Mr. TINKHAM. Do you think that if we should establish a comptroller general we should give him power to stop expenditures or should we follow the British plan of making post mortem examinations?

Mr. COLLINS. I think he should retain the power that he has now, but I shall come to that in a moment. There are three weaknesses in the British audit system—first, that he does not report contemporaneously with the discovery of the irregularity; the second is that he has no power to disallow; and the third weakness of the system, it seems to me, is that the House of Commons does not set aside any regular time for the consideration and discussion of the reports of the public accounts committee. They have occasionally set aside a day, but they have been very much criticized by officials and members of Parliament for not having a regular time for discussing all those matters.

Now, when the auditor general makes his reports of irregularities the irregularities are caught up by the public accounts committee. They may reach a decision that the money was erroneously spent. They have no power of executive action in the committee, but they report the matter to the House of Commons and to the treasury. The treasury is compelled to take action on the recommendation of the committee and report in a treasury minute to the next year's meeting of the committee of what they have done. If it is a matter requiring criminal action, they must take it up with the law office. The minute shows the treasury action. It is made a part of the committee hearings. Then it goes to the floor of the House of Commons.

Mr. BYRNS. Are those reports binding on the treasury?

Mr. COLLINS. They are practically binding. There is no power of enforcement in the public accounts committee, and it is all done as a matter of custom. Now, under the proposed American system, we have a situation which, it seems to me, is clearly open to criticism. We have six independent auditors appointed by the President, and they are regarded as presidential offices. I understand that they are not appointed by reason of the fact that they have any special experience as auditors. I think the history has been that a new President who has come in, with a change of parties, has removed them and put others in their places. There may be exceptions.

Mr. TINKHAM. It has been a political job.

Mr. COLLINS. Yes, sir; it has been a political job and recognized as such. We have a Comptroller of the Treasury who has the very great power of disallowing items in advance, but those auditors work independently. Their work only comes before the Comptroller of the Treasury when an appeal is taken from one of their decisions. The whole business is under the executive branch of the Government, and the executive is in the situation of auditing his own accounts, which is contrary to good finance. Even though the officials have been faithful, it is on the wrong theory. Now, under the proposed system there will be a consolidation of the auditing forces into one audit office and the whole thing brought over under the influence and control of Congress. In other words, there would be an auditor general or comptroller general, or whatever you would want to call him, who would have the functions of the Comptroller of the Treasury and the functions of the whole auditing force of six auditors. Those six auditors would be abolished, and the auditor general would work through assistants.

Now, we have never made a distinction in our system of finance between accounting and auditing. I understand that these auditors do a considerable amount of accounting. As I understand it, accounting has a very distinct purpose. When the money is spent a record is made in the books to give information as to where the money went in the first place. It is public money being spent, and here is a record of information when the man spends the money. And it also gives evidence of his fidelity in handling the money. Now, an audit is a different thing; an audit is an examination from the outside to determine whether the disbursing officer has been faithful, and that only can be done by an absolutely independent officer. It is not logically possible for a man to audit his own accounts. I think the auditor general of the United States, if we have such an officer, would be a very powerful official. I think he should be paid a salary equal to that of a Cabinet member. He would be a very strong arm of Congress in going into all of these executive bureaus and offices and watching the expenditure of the money. I think he should be given authority to report immediately to Congress upon the discovery of an irregularity, and the fact that he has the power to disallow an item upon presentation of the case to him would do away with the necessity to a large extent of the kind of hearings that the public accounts committee holds in Great Britain. They hold hearings there to determine responsibility and to do the other things that the Comptroller of the Treasury now has the power to do.

Now, when the hearings came up on an appropriation bill, or on the budget, the committee would have sources of information which it has not now. They could have the auditor general there and his assistants having jurisdiction over a given department. Suppose that part of the budget relating to the Department of Agriculture is up for consideration, whether before the Committee on Agriculture or the Budget Committee. The committee would have the assistant auditor for the Department of Agriculture, who is in the Department of Agriculture all the time; he is familiar with their operations; he knows the inside; he is there as the representative of Congress; he comes before the committee and would be in effect an assistant to the committee to get at the facts from a different point

of view from the facts as presented by the bureau chiefs. At the hearings also might be a representative of the budget bureau having jurisdiction over the Department of Agriculture from the standpoint of economy enforced by the executive, so that the committee could have there at its hearings information from two sources which it has not at the present time.

The CHAIRMAN. In fact, from three sources; first, from the bureau chiefs——

Mr. COLLINS (interposing). They have that at the present time.

The CHAIRMAN. Yes; two sources they have not at the present time; you are right about that.

Mr. BYRNS. Have you stated, Mr. Collins, how you would have the auditor general appointed?

Mr. COLLINS. No; I have not. That is a question that is fraught with some difficulty. I understand there is some constitutional objection to the appointment of an officer by Congress. I understand there has been no officer appointed by Congress as such; each House can appoint its own officials but the President appoints all officers of the Government. As this man would be an officer of the Government he would have to be appointed by the President; that is just an offhand view of the situation.

Mr. TINKHAM. There is nothing to prevent Congress from creating an office of that character and having the joint Houses elect him, is there?

Mr. COLLINS. I do not think there is a precedent for that, unless it be in the early days of the Public Printer. I am not sure there is a precedent for that action.

Mr. TINKHAM. There would be no constitutional objection?

Mr. COLLINS. The Constitution does have a provision about the appointment of officers by the President.

Mr. TINKHAM. So you think there may be some objections?

Mr. COLLINS. Yes, sir.

The CHAIRMAN. The provision of the Constitution to which you refer is this:

He [that is, the President] shall have power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur; and he shall nominate, and by and with the advice and consent of the Senate, shall appoint ambassadors, other public ministers, and consuls, judges of the Supreme Court, and all other officers of the United States, whose appointments are not herein otherwise provided for, and which shall be established by law.

Mr. COLLINS. Yes, sir; that is the clause I had in mind.

The CHAIRMAN. Of course, there are two Government officials now that are really officers of the Congress that are appointed by the President; that is, the Librarian of Congress and the Superintendent of Public Buildings and Grounds; both of them having to do largely with the legislative branch of the Government, and both are by law appointed by the President.

Mr. COLLINS. Yes, sir; but they can not be removed except by action of the President.

The CHAIRMAN. Yes; I understand.

Mr. COLLINS. It would be operating upon an unsound theory if this officer should be under the control in any way of the Executive.

Mr. TINKHAM. Well, there is nothing to-day to prevent Congress from electing its own officials.

Mr. COLLINS. Oh, yes; they could do that; that is, each House can elect its own officers.

Mr. TINKHAM. Exactly; each House could elect its own officers. There is nothing to prevent them jointly electing, it seems to me, an official of both houses, and the auditor general, if he is to be an independent auditor general—and under the budget system the auditor general should be independent, of course, from the Executive—and there would be nothing, it seems to me, to prevent, constitutionally, Congress from electing its own joint officer.

Mr. COLLINS. That would be, it seems to me, the ideal situation if it could be done. I do not think, however, there is any precedent for that.

Mr. TINKHAM. There is no precedent for it, of course; there has been no occasion for it.

The CHAIRMAN. There has been a good deal of criticism that the auditor general, or whatever you call him, should be appointed by the President and confirmed by the Senate, and not giving the House, where all appropriation bills originate, and which heretofore has given the largest part of the consideration to the bills in its hearings, and the committees, any voice at all in his selection. The suggestion has been made that a plan might be adopted providing for his appointment by the President and confirmation by the consent of the Senate of such an official on nomination by the House of Representatives.

Mr. COLLINS. I think the House should have a voice, if possible. Under our theory of government they should have the controlling voice, theoretically, on account of their constitutional responsibility in finance. Of course, we have no precedent for these things.

The CHAIRMAN. Have you gone into the question with regard to his duties as fully as you care to?

Mr. COLLINS. Yes, sir; that is all I care to say.

Mr. HAWLEY. Does the comptroller and auditor general under the British system keep a complete and separate account with the expending departments?

Mr. COLLINS. No, sir; he does not keep any accounts himself; he examines the accounts kept by the executive departments of the Government.

Mr. HAWLEY. But he does not have in his own office a complete set of books showing the appropriations?

Mr. COLLINS. Oh, yes; he has the information; I misunderstood you.

Mr. HAWLEY. And then on the other side he shows the expenditures made from time to time from those appropriations?

Mr. COLLINS. Yes, sir; all that information is in his office; but that is for his information. I mean, he has nothing to do with the keeping of the books.

Mr. HAWLEY. No; but I had in mind he kept for his own information and the use of his department a complete set of books with all the spending departments kept by his staff?

Mr. COLLINS. You mean, of their past expenditures?

Mr. HAWLEY. Yes; of their transactions.

Mr. COLLINS. Yes, sir.

Mr. HAWLEY. They have to report to him from time to time their proposed expenditures and he examines them?

Mr. COLLINS. I think they report their expenditures, but not their proposed expenditures.

Mr. HAWLEY. Don't they report to him proposed contracts for expenditures?

Mr. COLLINS. He has men in his office, a man with a desk right by the side of the man who spends the money, and he examines the expenditures before they are made.

Mr. HAWLEY. To put it in another form, they submit to him all proposed expenditures?

Mr. COLLINS. Yes, sir; and he has a chance to make suggestions or protests.

Mr. HAWLEY. And go into it before the expenditure is made?

Mr. COLLINS. Yes, sir; and if it is made over his protest he reports it to the public accounts committee.

Mr. HAWLEY. Do you think we should have such an establishment here, that a comptroller and auditor general should keep books with all the spending departments of the Government in the same manner?

Mr. COLLINS. Our Comptroller of the Treasury has now the power to disallow them; so he would go further. It would be duplication for him to keep the accounts himself.

Mr. HAWLEY. The point I am after is this: Congress wants some information on the question of an expenditure; it is under the necessity of passing a resolution asking that certain statements and accounts be submitted; we may get them in time, but there is always delay.

If the comptroller and auditor general had this information in his own office, and being the officer of Congress he could immediately furnish us the authentic information as our officer?

Mr. COLLINS. I don't know how that would work. That would be almost assuming an executive function.

Mr. HAWLEY. No; we would simply get it for information and our guidance, and not to interfere with the executive departments.

Mr. COLLINS. In general, I think that would be one of the great advantages of an independent auditor under our system; that Congress would have an independent source of information at all times as to the expenditure of money.

Mr. HAWLEY. Now, when the aviation discussion went on for some time in this country Congress and the people of the country generally were very much in doubt as to how the expenditures were made, and the purpose, and it seemed impossible to get information at all. If Congress is going to appropriate money wisely it ought to have information of that kind available always.

Mr. COLLINS. Yes, sir; and we would get it through this system.

The CHAIRMAN. Now, Mr. Collins, if we adopt the first plan only, that is, give the executive departments more power without giving Congress machinery to check up on expenditures as well as efficiency, might we not have the present difficulties only exaggerated?

Mr. COLLINS. I think so, sir; and it would be giving the Executive more power than he now has.

The CHAIRMAN. And it would permit them to build up an organization so as to prevent Congress from getting the information that



it now gets, and is in an intelligent way at times able to reduce appropriations, isn't that true?

Mr. COLLINS. I think that situation might possibly arise.

The CHAIRMAN. Now, if I understand you correctly the first steps that you have spoken of, that is, the preparation of the budget and the control and audit of accounts by an independent auditor, are matters of legislation, but the second step, that is, to change the rules of the House, you would not suggest by amending the statutes?

Mr. COLLINS. No, sir; not at all.

The CHAIRMAN. All that is necessary to do is the amending of the rules of the House?

Mr. COLLINS. Yes, sir.

Mr. TEMPLE. And the Senate too?

Mr. COLLINS. That is assuming that the Senate would take the same action.

Mr. TEMPLE. There is no use in one House doing it and not the other. That is one thing you can not concentrate responsibility for, because the Senate has control of itself, and the House of itself.

The CHAIRMAN. Is there anything further?

We are very much obliged to you, Mr. Collins, for the information you have given us.

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WEDNESDAY, SEPTEMBER 24, 1919.

#### STATEMENT OF MR. WALTER W. WARWICK, COMPTROLLER OF THE TREASURY.

The CHAIRMAN. Judge Warwick, you are Comptroller of the Treasury?

Mr. WARWICK. I have been comptroller since September, 1915.

The CHAIRMAN. Prior to that time what official position did you occupy?

Mr. WARWICK. For two years prior to that time I was Assistant Comptroller of the Treasury.

The CHAIRMAN. Before that did you occupy any official position?

Mr. WARWICK. My first connection with the Government was 26 years ago, when I was a law clerk in the comptroller's office from 1893 to 1897. Some years after that I was for three years Auditor of the Panama Canal, on the Isthmus of Panama. Then from 1911 to 1913 I was a member of President Taft's Commission on Economy and Efficiency. After that I was assistant comptroller and then comptroller.

The CHAIRMAN. All of the bills relating to the budgetary legislation and changing the laws in regard to the control and accounting of the expenditures have been referred to this committee. The committee would be very glad to have you make a statement, either with regard to the estimates, if you desire to take up that phase of it, or especially with regard to the control and audit of accounts.

Mr. WARWICK. I prefer to take up first the question of the audit of accounts; and on the question of a budget I believe I would prefer to answer any questions I can rather than to attempt to advance any theory of a budget of my own. I have not formulated any defi-

of the public accounts is one function and it is certainly unbusiness-like to have six ways or methods of suiting public accounts. You can not prevent six different auditing offices from adopting different methods and different views on the same subject. It is impossible for the office of Comptroller of the Treasury to supervise all the details of the office of the auditors, but it would have been possible, if there had been one auditor, for him to enforce some uniformity. But however that may be, the system has continued from October 1, 1894, now just 25 years, of having the six auditors and the one comptroller. The auditors' functions consist first in auditing the accounts of the disbursing officers. More than 90 per cent of the Government expenditures are paid through disbursing officers.

Mr. GARNER. May I ask you a question in that connection?

Mr. WARWICK. Yes, sir.

Mr. GARNER. Does each one of these auditors have certain jurisdiction by authority of law or are they just created auditors and assigned to different departments?

Mr. WARWICK. No. In order to clear up the confusion that existed then where no one could tell what auditor had jurisdiction of a particular account, the Dockery law of 1894 specifically divided the duties among the auditors and provided that the old auditor who was known as the first Auditor of the Treasury should be known as the Auditor for the Treasury Department and should audit Treasury Department accounts. The second auditor was changed to Auditor for the War Department, and he audits all accounts of the War Department and the Military Establishment.

Mr. GARNER. The reason I asked that question was that if the Appropriations Committee, for instance, should conclude that your opinion was correct and that there should be one auditor instead of six, I thought that if the law did not give those auditors separate jurisdictions, we could decline to appropriate for more than one and that would bring about the desired result.

Mr. WARWICK. No; section 7 of the Dockery law provides the specific duties which relate to the accounts of one department, all except the old fifth auditor now known as the Auditor for the State and Other Departments. He audits the accounts of five executive departments, the Department of State, Justice, Commerce, Agriculture, and Labor, and also the accounts of the Interstate Commerce Commission, the Civil Service Commission, and every independent office that is not under any of the other departments goes to the Auditor for the State and Other Departments. He is a sort of catch-all for the executive departments and other establishments. During the war, with all these new commissions coming up, all accounts and claims relating to them went to the Auditor for the State and Other Departments. The work of the Auditor for the Interior Department was not affected materially by the war. The others have been largely affected by the war. The public expenditures being made, at least 90 per cent of them, through disbursing offices, the result has been the payment of accounts and claims by disbursing officers before any audit of the Treasury and the settlement of the accounts of such officers involved the question of whether the auditor should allow or disallow a credit for particular expenditures. There is very little to be gained in disallowing large amounts against a disbursing officer

because he will not repay it and neither will his surety. So that so far as possible all public accounts should be audited finally before payment, but it is recognized that that is a difficult problem. The rule has been established by former comptrollers that disbursing officers should pay only fixed obligations about which there is no question, such as regular pay rolls and bills for ordinary material and supplies that they buy every month, and that doubtful claims should not be paid by the disbursing officers but should go to the auditor for audit before payment.

That rule, if it is observed, improves the situation considerably, but the natural inclination of a department is to pay these accounts and take chances on having them disallowed afterwards. There is always quite a reluctance on the part of a department to go to the comptroller and ask for a decision as to whether they can do a particular thing.

Now, I was just coming to this point, that after the auditor settles an account it may be revised by the comptroller within one year on application of the claimant or the head of the department or on the comptroller's own motion, so that the comptroller is the appellate court for these auditors. About half of the work of the comptroller's office comes from these appeals from the decisions of the auditor. Naturally those appeals come only from those who want more money than the auditor will allow. The appeal filed by the head of a department against the allowance of an item by an auditor is so rare as to be of no consequence. I doubt if there is one case a year in which the head of any department of the Government has appealed to the comptroller to reverse the action of the auditor in allowing an account.

Mr. TINKHAM. What is the law in relation to the payments being submitted first to the auditor before being made by the department?

Mr. WARWICK. There is no law regarding what shall be paid by a disbursing officer and what shall not. Disbursing officers have been created and recognized by law without their duties being defined. If the head of the War Department has a particular bill that he wants paid, he may send it down to the disbursing officer and tell him to pay it, and generally he pays it.

Mr. GARNER. Now, Mr. Comptroller, just there I see an opportunity at least of paying out money that is not authorized by law. Let us suppose that the War Department sends an account down to the disbursing officer and tells him to pay it, and he pays it. Later on the Auditor for the War Department decides that that account was not authorized by law. What is the procedure then?

Mr. WARWICK. The auditor refuses the credit to the disbursing officer.

Mr. GARNER. But you said a while ago that that was done, but you had no recourse—I do not think you said you had no recourse, but you said that it was usually ineffective because you could recover neither from the disbursing officer nor his bondsmen.

Mr. WARWICK. The general procedure is for the disbursing officer to come before the Appropriations Committee of Congress and have put into the law a paragraph authorizing and directing the accounting officers of the Treasury to credit him with that amount.

Mr. GARNER. Suppose the Appropriations Committee declines to allow it? How does that money get back into the Treasury?

**Mr. WARWICK.** That money is theoretically gotten back by a suit against the disbursing officer and his bond, but there is no great inclination on the part of the courts to recognize what might be called the technical laws for the use of appropriations. If the Government has received a benefit from the use of the money, ordinarily the court will not give judgment against the principal or the surety. In addition to that, the Department of Justice decides whether they shall bring suit or not.

**Mr. TINKHAM.** Have many of those suits been brought?

**Mr. WARWICK.** Oh, yes; they are brought all the time, but recently the Department of Justice has taken the position that if they do not think the money is due to the Government or for any other reason, they would not bring suit.

**Mr. GARNER.** In other words, you have this state of affairs, that, for instance, if the War Department orders an account paid, although that account was not authorized by law and the disbursing officer pays the money, the Auditor for the War Department declining to approve it, then the Department of Justice investigates and concludes that in its judgment the money was spent for a good purpose and therefore you pay out the money that Congress never authorized to be paid.

**Mr. WARWICK.** That would be the situation if the Department of Justice refused to bring the suit. The law provides that the decision of the Comptroller of the Treasury shall be final and conclusive on the executive branch of the Government. In the early history of the country there was a long discussion as to the authority of the comptrollers, and the Attorneys General, of course, rendered many opinions that the head of a department could overrule the comptroller; but Congress, by a law passed in 1868, made it clear that the decision of the comptroller should be final and conclusive, and they added these words, "subject only to revision by Congress or the proper courts." When they passed the Dockery law they left off these words, because there was and is no process of revision by Congress or by the courts, so that the present law states that his decision shall be final and conclusive upon the executive branch of the Government. A man may sue the Government in the Court of Claims or in a United States district court, but that is not a question of revision by the courts. It is not a question of appeal from the comptroller. In the matter of recovering balances from disbursing officers, when Congress has decided that the decision of the comptroller is conclusive on the executive branch, there ought to be a way and there should be a way whereby the comptroller can bring suit to recover balances and secure a court decision.

**Mr. GARNER.** You have occupied your present position how long?

**Mr. WARWICK.** Four years.

**Mr. GARNER.** Have you observed in those four years any abuse of this system that you have just spoken of, of the disbursing officer having disbursed funds that were turned down by the auditor and the Government failing to recoup these funds into the Treasury?

**Mr. WARWICK.** No; except the refusal to bring suit. I think it is a fair statement to say that the heads of the executive departments do not often issue orders to pay accounts that they think are contrary to law as the comptroller construes it. As a rule, the departments do

not interfere with the legal right of a disbursing officer to get the decision of the comptroller before payment. They have done it at times. I was coming to that question in connection with the other half of the work of my office.

Mr. HAWLEY. Is the penal sum in the bond of these disbursing officers usually sufficient to cover all amounts they pay out in case they pay them out contrary to law and recovery should be had?

Mr. WARWICK. As a rule the bond would be sufficient because the questions usually come up on comparatively small amounts, under \$5,000. Bonds are generally from \$5,000 to \$25,000 or \$50,000. They have no relation particularly to the amount of money that a man has advanced to him. They can not have, because many disbursing officers have credits of \$3,000,000 or \$4,000,000.

Mr. HAWLEY. Are the bonds taken from personal sureties or from security corporations?

Mr. WARWICK. Almost invariably corporations. I doubt if there is one in 500 that is a personal surety.

Mr. TINKHAM. Of course, this system that you describe, you think is thoroughly unbusinesslike and unscientific, do you not?

Mr. WARWICK. I think that the present system could be much improved.

Mr. TINKHAM. Is not the principle of the system wrong?

Mr. WARWICK. The principle is wrong in that the auditing is done by the executive department; yes. Congress, from the beginning of the Government, has intended that that audit should not be controlled, and it is not controlled. I think it is only fair to say that the executive departments attempt to exercise no direct influence over the auditors so far as I know. I know they interfere not at all with the comptroller. In four years I have had no department head asking me to do anything in connection with a decision. There has been no case in the four years I have been comptroller where any head of a department, the Secretary of the Treasury or any other department head, has asked me to dispose of a matter in a particular way.

Mr. GARNER. Do you make an annual report to the Secretary of the Treasury?

Mr. WARWICK. Yes, sir.

Mr. GARNER. In any of these reports have you outlined the reforms that to your mind would induce to the betterment of the service?

Mr. WARWICK. No; I have not. The reports have not been published and he has decided not to print them.

Mr. GARNER. Would it be out of line of your duty in making your report to point out to the Secretary of the Treasury the different systems you might have in your mind that could be adopted by the Congress?

Mr. WARWICK. I have always thought from my long experience in that office, having been in the office about 16 years out of the last 26 years, that I would rather give my views to Congress when they want them than to the Secretary of the Treasury, because there is not much use in advising a Secretary of the Treasury that you ought to be taken out from under his jurisdiction and that you want to leave. You do not get anywhere with that. I have my views on the subject but I do not believe any Secretary of the Treasury would agree with them, or with the Congressional view that the Secretary



should not have the final accounting officers in his department. I think the Secretary would believe that that is where they must stay as a matter of good administration. Now, I only assume that. That is human nature.

Mr. TINKHAM. These auditors that you are speaking of are political appointees changing with the administration,

Mr. WARWICK. All six are appointed by the President after confirmation by the Senate. It is customary for them to resign at the beginning of another administration and to secure men in harmony with the administration. One of these auditors, however, was appointed by President Taft and is still there. He is the Auditor for the Post Office Department.

Mr. TINKHAM. Are those auditors men who have usually been auditors or accountants before they go into the service of the Government?

Mr. WARWICK. I have not known of any in my experience who was appointed with those qualifications. You have two ex-auditors Members of the House now.

Mr. TINKHAM. Can you tell us what Mr. Samuel Patterson's business was before he was made Auditor of the Treasury?

Mr. WARWICK. I think he was in the banking business.

Mr. TINKHAM. What was the business of Mr. James L. Baity, Auditor for the War Department, if you know?

Mr. WARWICK. I do not know what his business was. He was Secretary to Senator Reed at the Capitol.

Mr. TINKHAM. And Mr. David C. Reay?

Mr. WARWICK. He is a lawyer. David C. Reay was appointed about a year or so ago. He is a lawyer from West Virginia.

Mr. TINKHAM. And Edward L. Luckow from the Navy Department?

Mr. WARWICK. A newspaper man from Wisconsin.

Mr. TINKHAM. And Edward E. Hearne, Auditor for the State and Other Departments?

Mr. WARWICK. A lawyer from Delaware.

Mr. TINKHAM. And Charles A. Kram, Auditor for the Post Office Department?

Mr. WARWICK. He has been a Government man for many years.

Mr. BYRNS. He was in the service for some years in the Post Office Department before he was auditor.

Mr. GARNER. Twenty years.

Mr. WARWICK. Yes, sir; in the public service.

Mr. BYRNS. You spoke of the payment by disbursing officers in advance of the accounts being audited. How many disbursing officers have you, and is there any limitation in the department as to their number?

Mr. WARWICK. There is no limitation. In peace time, I suppose, we had probably 2,000 or 2,500, but many of these men are disbursing officers only incidental to their other work.

Mr. BYRNS. As I understand it, there is no limitation as to the number that any department may have?

Mr. WARWICK. No. Under section 3614 of the Revised Statutes any department can appoint a special disbursing agent whenever they feel the need for it and fix the amount of his bond.

Mr. GARNER. If it would not embarrass you, I would be glad to have you tell the committee your suggestions as to the best system Congress could adopt in the way of auditing the expenditures of the Government.

Mr. WARWICK. Before I answer that question I would like to make a brief statement about the other work of the comptroller, so that it will appear together. The other half of the work is the rendering of what are called advance decisions. Section 8 of the Dockery law provides that disbursing officers or the head of an executive department or the head of an independent establishment may apply for and the comptroller shall render his decision upon any payment to be made by them or under them. Now, a disbursing officer when he has a voucher presented to him by superior authority which he is directed to pay, or which in the ordinary course it is his duty to pay, may have some doubt as to the legality of that voucher and he may send that voucher to the comptroller and ask him whether payment is authorized. If he is told no, of course, he is supposed not to pay that voucher. The law provides that the auditor and comptroller shall be governed by those advance decisions in passing on the accounts. If he does not pay the account because the comptroller tells him not to, the decision has served its purpose.

Then the claimant can present that account directly to the auditor who will audit it before payment and may possibly pay it. On a fuller presentation of the case it may be found to be legal. A request for an advance decision is based upon an assumed statement of facts which the disbursing officer puts up to the comptroller. It is not final in any respect. About one-third of the advance decisions and decisions on appeal, those that are establishing a precedent, are published monthly and in bound volumes annually and circulated among the disbursing officers in the departments so that they will have them as a guide and not submit again the identical questions that have already been decided. In view of the fact that Congress for many years has placed literally hundreds of limitations upon the use of appropriations and the manner of their payment, the advance decisions have been numerous, but there is no provision of law by which the comptroller can voluntarily render an advance decision to a department or can take up a new law and construe it until some officer has submitted it to him for decision.

Mr. HAWLEY. That is, you can not of your own initiative raise a question as to the legality of any proposed expenditure that comes to your knowledge except it comes in an official manner?

Mr. WARWICK. That is correct. There is no authority in the comptroller to take up a new law.

Mr. GARNER. And write an opinion upon it?

Mr. WARWICK. And write an opinion upon it and say that it means this, that, or the other thing. The department may go ahead and operate under it without asking for the advance decision.

Mr. HAWLEY. If it came to your attention that a certain expenditure was to be made and you were acquainted with the facts and doubted whether that expenditure could be legally made, could you raise the question?

Mr. WARWICK. It would be considered, possibly, ~~offensive~~ <sup>objectionable</sup> to the department if the comptroller should write to them and say that he

had seen in the newspaper or had heard that they proposed a certain thing and that he thought it was illegal and they must not do it. I think in the interest of uniformity there ought to be some authority to render an advance decision without request in certain cases. Now, just as a sample, a recent law of Congress last winter authorized the clerks to go home from Washington at public expense. Probably it would have been better if the comptroller's office could have put out a ruling on that with a method of procedure so that it would be uniform in all the departments. As it was, the questions came to him 30 days or more after the law went into effect. It is rather difficult to make a law by which voluntary decisions can be put out. It might lead to a little trouble but, like all things of that kind, it would have to be operated with great discretion.

Now, I want to come to Mr. Garner's question as to what I think would be a proper auditing system of the Government. I have believed for many years that there should be one auditing office. The present situation is such that the comptroller has no power to direct the auditors. They are bound by his rulings. They are required to submit to the comptroller their construction of every new law. Therefore, when an auditor gets before him an account or a claim under a new law it is his business to decide what that law means and submit it to the comptroller for approval or disapproval.

Mr. HAWLEY. Before he makes any payment on it?

Mr. WARWICK. Before he makes any payment on it or gives any credit to the disbursing officer. That is supposed to reach the construction of the law where a department has not asked for an advance decision but has made the expenditure and then comes up before the auditor for an allowance. The auditor is then supposed to construe that law and send it to the comptroller. But it is almost impossible to get the auditing officers to do that. I have thought for some time that with the immense amount of legislation that has been enacted in recent years there ought to be sent up to the office of the comptroller 500 or 600 decisions every year, when instead of that there are less than 50. That part of the law has not operated well and the comptroller has no way of handling the auditors. He has no way to discipline them or force them to do anything that they do not want to do. They are independent. They have different methods in each office. As I said before, I think the audit of the public accounts is one function, and it can not be separated into six bureaus any more than you can separate any other one public duty among six officers and have uniformity. There is a great difference between having an auditor with five or six assistants and having six different auditors. The two are entirely different propositions. Then when you have one auditor and one comptroller you would have the same difficulty in a less degree. I think the public business has improved so much in the last 25 years in the way of accounting—that is, the departments have so much better systems of caring for their accounts and for their funds than they had 25 years ago—that it would be entirely safe to have one auditing officer of the Government who would combine the functions of the comptroller and the six auditors.

The CHAIRMAN. I was going to ask you whether or not there is any place in your organization, either in the auditor's office or in the comptroller's office, whereby you take into account the appropriation

and see whether or not the department is spending the money at a greater rate than the appropriation would warrant?

Mr. WARWICK. No. There is no check of that kind in the auditing offices, because in the ordinary course of business the accounts reach the auditor four or five or six months after the period of the earliest disbursement, so that in June an auditor would ordinarily have but few accounts representing expenditures after the 31st of December in his office. He would not know anything regarding the rate of expenditure.

The CHAIRMAN. I would like to ask a question in regard to the incident that occurred the other day when we were forced to report an appropriation of \$264,000 for the Immigration Service. The excuse given for the deficiency was that some unskilled man in the department had made a mistake that caused that large deficiency and the Congress was brought face to face with the problem of whether or not it would appropriate the additional funds to the extent of \$264,000 or let 500 employees at Ellis Island go unpaid for two weeks in the year and let other claims for material that had been furnished in good faith go unpaid.

Mr. WARWICK. That case was one where the department had authorized the incurring of obligations in excess of the appropriations?

The CHAIRMAN. Yes.

Mr. WARWICK. That is a matter that could not be reached by the auditing officers of the Treasury in any event.

The CHAIRMAN. That can only be checked by the administrative officials.

Mr. WARWICK. That can only be checked by the administrative official who has charge of the appropriation, and he must keep his own books on the encumbrances on that appropriation, and he should set off that amount in his books with the other amounts, so that he will know what he has left. That case is rather a peculiar one. I have never known of any other like it in the Government. To create a deficiency in a large appropriation of more than 10 per cent is rather odd. Of course, it could happen with a plain clerical error, but ordinarily the bureau head would know, or ought to know, monthly how they stand, and their own statement of bills actually paid each month should have shown that they were running proportionately ahead of the appropriation. I think that is a very exceptional case. I have never heard of another one like it. I have heard of cases where the deficiency was deliberately created, but those cases are getting rare, too. The excuse of the war has passed now. In time of peace the creating of a deficiency deliberately is not good form.

Mr. GARNER. It is prohibited by law, is it not?

Mr. WARWICK. It is prohibited by law, with a penalty attached. Sometimes deficiencies must be created, and it is recognized by Congress that a department must create a deficiency sometimes, but these are very rare cases, which involve, as the statute says, the loss of life or public property. An officer might be justified in creating a deficiency to put out a big fire, or something of real benefit to the Government, but the ordinary deficiency is created sometimes by connivance with a committee of Congress. It has been known that at

appropriation has been once made with the understanding that more could be had later. Ordinarily an appropriation ought to be apportioned, as the law requires, at the beginning of the year and the service cut down to it. Those are questions, however, that the Treasury auditing system can not control under the present system. I doubt if there would be any system of audit devised by which an accounting department could go into the other departments and regulate them to that extent. I think it probably would be unwise to attempt it.

There must be a large discretion left in the head of the department in regard to spending the money. There can be no dispute as to that, I think. That discretion must be broad as to the methods by which he is going to accomplish the purpose for which Congress has appropriated the money. Now, as to what methods he shall use, they are entirely in his discretion, except in so far as they are prohibited by other laws of Congress. When Congress discovers an abuse in a department it is customary to pass a general law applying to all departments everywhere and for all time. That is probably not the best way to handle the subject, but it has been the way that Congress has adopted, probably in the absence of a better way. I think those general restrictions have had a very good effect. Some of them are possibly out of date and ought to be modified, but as a general rule when an abuse is discovered by Congress and they legislate to prevent it in the future it has a good effect and does not cause any loss to the Government. Of course, restrictions can be made so sweeping and so general in their application as to defeat their own purpose, in that a department would have to spend more money getting around them.

But, going back to the subject of the proper auditing system, I think that the auditing department should be outside of the Treasury Department; not that I personally have any objection to it being in the Treasury Department, but it has only a nominal connection with the department. I have little accounting business with the Secretary of the Treasury, no matters to take up with him. I have more business with the Secretary of War and the Secretary of the Navy, because they have had much larger appropriations and bigger establishments. The Treasury is not a big spending establishment compared with others. It is growing now, of course, in the Internal-Revenue Bureau, and the Customs Service is a big establishment, but they are comparatively permanent and settled.

The charge has been made at times that the Secretary of the Treasury has the appointment of his own auditor while the other Secretaries do not have the same privilege. Well, that is true in a sense. The Secretary, of course, recommends to the President the appointment of the auditors and I assume it would be entirely possible for the Secretary of the Treasury to select an auditor for the Treasury who would do what he wanted him to do, but I do not believe that has been the policy pursued in selecting the auditor. I think an Auditor for the Treasury has been selected the same as the auditors for the other departments, but at the same time I think it must be conceded that the Secretary of the Treasury would have more close relationship with the Auditor for the Treasury Department than the Secretary of War would have with the Auditor for



the War Department, because the auditors are in the Treasury Department and under the Secretary of the Treasury who appoints all their subordinates. The Secretary of the Treasury appoints the attorneys and law clerks and accountants in the comptroller's office, but I have no cause to complain of anything he has done in that matter or any other.

Mr. GARNER. Most of those employees are under civil service?

Mr. WARWICK. Practically all of them are under civil service, but the quarters that are furnished the auditors and the comptroller are assigned by the Secretary, and what stationery they get is furnished by the Secretary, and the Secretary decides whether or not their annual reports will be printed. He has not printed any for several years. I do not know that that is much loss to the people, the fact that these reports have not been published, but I have always taken the view that a short annual report, say only 10 to 16 pages, from each of the auditors and the comptroller, would be worthy of publications as a matter of policy.

Mr. BYRNS. Your decisions are published?

Mr. WARWICK. They are published, one volume each year, but the reports of the auditors and the comptroller do not see the light.

The CHAIRMAN. Are they followed, as a general rule, in subsequent action?

Mr. WARWICK. No. The Secretary does not have time to give these details consideration. In former years the printed reports were sent to some of the committees of Congress and to Members who were interested. I do not know that the publication of the report was of as much consequence then as it would be now, but the report of the comptroller ought to be made one of the important documents of the Government. If the system is adopted that is contemplated, as I understand it, in connection with any budget plan, of an independent audit, it seems to me the natural evolution of that system would be that in a few years the auditing department would make a statement of receipts and expenditures of the Government, combined and classified in such a way as Congress might direct, so that the entire Government receipts and expenditures would be brought together in one volume or two or three volumes a year. The present system includes separate financial reports by each department and generally by each bureau. They are all, as a rule, on a different plan, on just such a plan as the bureau may want to adopt, and contain such information with reference to expenditures as they want to put out. An accounting department should not only furnish its formal annual report but also furnish any special reports wanted by Congress or by the committees of Congress relating to any particular matter of accounts. The original vouchers on file in the accounting department ought to be available to Congress or to any authority under Congress, and by changing where necessary the time for rendering accounts, possibly making a general rule that an account be rendered monthly instead of quarterly as some of them are now, it would be possible to have in the accounting department the actual disbursements of the Government and the actual vouchers within two months after payment was made.

Mr. GARNER. Has not Congress now the authority to secure the original vouchers?

Mr. WARWICK. Oh, there is no doubt of that, but in my experience Congress has rarely called upon the accounting officers of the Treasury for any information.

Mr. GARNER. I recall we sent for one voucher four or five years ago for some expenditure in the State Department. I think it was for a painting or something of that kind, but I recall very distinctly that we sent and had that voucher brought down here.

Mr. TEMPLE. That is in one fund that is not audited.

Mr. WARWICK. That was in the secret fund of the State Department that is audited by the Secretary of State. The auditor does not get that voucher. You secured that from the State Department.

Mr. TEMPLE. That is, you know that the voucher was drawn against that fund but you do not know what it was for?

Mr. GARNER. That is the only fund in time of peace where vouchers do not have to be rendered. Is that correct?

Mr. WARWICK. Except the congressional fund. They have such vouchers in Congress as they please, but still they have vouchers.

Mr. GARNER. I mean that is the only fund in the various branches of the Government service where you do not require vouchers to be rendered?

Mr. WARWICK. That is the only fund I have any recollection of.

Mr. BYRNS. There is the President's traveling fund.

Mr. WARWICK. That has to be accounted for on his certificate solely. But the State Department does not put in what its expenditures were for, when they come out of that secret fund.

Mr. TEMPLE. That fund is called the emergency fund of the State Department.

Mr. WARWICK. Yes. It is for emergencies arising in the conduct of diplomatic business. It is covered by section 291 of the Revised Statutes.

Mr. TEMPLE. It goes back to Thomas Jefferson, I think.

Mr. WARWICK. It goes back a long way, but the certificate is provided for in section 291 of the Revised Statutes.

Mr. GARNER. The highest amount that was ever carried in that emergency fund, up to the time I left the Foreign Affairs Committee, was \$90,000 a year.

Mr. WARWICK. About \$90,000 was the amount for years.

Mr. GARNER. I think now it has gotten to be \$700,000.

Mr. TEMPLE. It was needed.

Mr. GARNER. Dr. Temple has been a member of the Foreign Affairs Committee.

Mr. TEMPLE. I have not audited the accounts but I have helped to appropriate that amount of money many times. It is like the intelligence fund of the Army.

Mr. WARWICK. Of course, Congress has a law by which the certificate of the Speaker and the Presiding Officer of the Senate and the Chairman of the Committee on Accounts shall be conclusive on the accounting officers of the Treasury, so that the salary and mileage of Members and the contingent fund of the House are not subject to review by the accounting officers. The other appropriations for the employees of the House are subject to review. Occasionally we have a question from the Clerk of the House or the Sergeant at Arms about a disbursement, but when it comes to the question of the pay

of Members of Congress, we decline to express any opinion on the subject, because the Speaker's certificate is conclusive, and when he gives the certificate that passes the disbursement, and if he refuses to give it, the Member is not paid. I have always thought that that was a proper exception to the accounting system of the Government, that the expenditures of the legislative branch should not be subject to review by the executive branch. It is much like the relation between the two Houses of Congress.

Mr. GARNER. It would be a little out of order for us to indicate that we were not responsible ourselves and could not trust our own Speaker.

Mr. WARWICK. Yes. It would not be right for members of the executive branch to stop the pay of members of the legislative branch. The relations between the legislative and the executive branches of the Government are somewhat like the relations between the two Houses of Congress. In time of peace the expenditures of Congress are less than 1 per cent of the expenditures of the Government.

Mr. HAWLEY. You say the accounting department should not be under the Treasury Department. Should it be under congressional authority?

Mr. WARWICK. I have thought that it ought to be merely an independent establishment of the Government. I have never been able to figure out just what is meant by being under Congress.

Mr. HAWLEY. You are acquainted with the English system of a controller and auditor general?

Mr. WARWICK. I am just slightly acquainted with it. I am not acquainted with the details. I think our system in this country can be so changed as to fit the conditions of this country better than any system they have in England. I mean that their system fits their conditions and our conditions are considerably different.

Mr. TINKHAM. If we should establish an independent auditor general under the direct control of Congress, nevertheless in the Treasury Department there would have to be your board of auditors or your auditing organization, would there not?

Mr. WARWICK. No. There would not necessarily be an auditing force in the Treasury to audit accounts of all the executive departments. Congress could take that over.

Mr. TINKHAM. You mean, that if Congress should appoint this independent auditor general there would be no audit by the executive side at all?

Mr. WARWICK. I assume that if the auditor general were created by Congress he would take over by law the functions of the six auditors of the Treasury.

Mr. TINKHAM. It would have to be an administrative office.

Mr. WARWICK. In each department they would have their accounts and disbursements and they would proceed just as they do now, but the question would be whether the accounts of the Department of Commerce, for instance, should go to an auditor of the Treasury or to the auditor of Congress. That is a matter that would have to be arranged. But, so far as an auditor general of Congress is concerned, I have never thought there could be an officer of Congress, constitutionally. Of course, there can be all the officers of either House that the Congress wants.

Mr. GARNER. Suppose Congress should make no provision whatever for the auditing of expenditures in any of the departments and by an act of Congress should provide that this auditing should be done by an auditor or by a committee, whichever you wanted to determine, that committee to be appointed by the Speaker of the House of Representatives, why would not that be constitutional?

Mr. WARWICK. Oh, there is no doubt that the present auditing system could be absolutely abolished. It is entirely statutory.

Mr. GARNER. I say, why would it not be constitutional to provide by law that the very auditing system that is now being conducted should be conducted by the auditor general and his assistants, this auditor general and his assistants to be appointed by the Speaker of the House of Representatives?

Mr. WARWICK. Entirely so.

The CHAIRMAN. He would not be an official of the United States?

Mr. WARWICK. No. He would be an employee of the House.

The CHAIRMAN. Then the Senate would be entitled to have a similar official.

Mr. GARNER. I understand that the Congress can not appoint, as a Congress, an officer of the character you speak of, but I say that if Congress desires to transfer the supervision of that work from the executive branch to the legislative branch of the Government, they could easily find a method of doing it. I have not said that it would be wise to do it, but I am merely calling your attention to the method by which it could be done and still be constitutional.

Mr. WARWICK. What I had reference to was an officer of Congress. There could be an officer of the House and an officer of the Senate, but not of the whole Congress.

Mr. GARNER. We have what is known as a joint office now created by the Ways and Means Committee in the last revenue bill. It is not an office in the sense that you would term the office of the Secretary of the Treasury an office, but still it is an office, and it is a joint office. The function of that office is to assist Congress in drawing up bills.

Mr. WARWICK. The drafting bureau?

Mr. GARNER. Yes. That is a joint bureau for the House and Senate.

Mr. WARWICK. No; there is one draftsman in each House.

Mr. GARNER. Yes; one in each House. I think you could frame a bill by which you could provide that the Speaker of the House and the President of the Senate should appoint a certain officer, and I should think he would be the officer of the Congress.

Mr. TEMPLE. If need be, Mr. Garner, would it be possible—and I am not advocating it at all—to have even a joint committee of the two Houses and the whole auditing force the employees of the joint committee?

Mr. GARNER. Such a thing is possible, the same as our Joint Printing Committee. I am like you, Mr. Temple; I do not know anything about the practicability of such an arrangement, but I was simply suggesting that it would be constitutional.

The CHAIRMAN. Here is the first question that would arise upon a change in the membership of the House: The majority Members would immediately want the patronage; they would want all the auditors and assistant auditors and the clerks, and you would not have an independent auditing establishment that you could point to

with pride or that would be relied upon by the Congress or the public generally.

Mr. GARNER. I doubt the wisdom of any such procedure, but I am merely calling the attention of the comptroller to the fact that Congress could audit the entire accounts of the Government.

Mr. WARWICK. There is no doubt of that in my opinion. I have seen a suggestion in the press lately that the auditor general should be appointed by the Speaker of the House and hold office for a term of years. I think he would hold office for two years. I do not think the next House would recognize the appointment of the preceding House.

Mr. TINKHAM. If you passed a statute, however, and in that statute a term was fixed and the employees were put under civil service, then the subsequent Congress would come under the previous law, and the term of office being fixed by statute, it seems to me that you would be perfectly safe against assaults from patronage.

Mr. WARWICK. Yes; except that when you get to the point of creating an officer with something in the way of a tenure, you are getting away from making him an officer of the House and getting very close to making him an officer of the United States subject to appointment by the President.

Mr. GARNER. And, after all, if you are going to create an independent auditing bureau, it would be better to make that statute as nearly permanent as possible; I mean, with reference to continuation of the service, and probably that would better come from the executive branch of the Government.

Mr. WARWICK. Whether any tenure could be given to such an officer independent of the President's right of removal is doubtful.

The CHAIRMAN. Judge Warwick, there are several bills introduced and here for the consideration of the committee; I read from one of them:

That the accounting officers now appointed by the President, by and with the advice and consent of the Senate, shall hereafter be appointed by the Speaker of the House, by and with the advice of the Senate.

And another provides:

The auditor general shall be appointed by a committee to be composed of the Speaker, the majority leader, and the minority leader of the House of Representatives; he shall hold his office during good behavior—

And so forth.

Clearly such officers would not be officers of the Government of the United States.

Mr. WARWICK. I would be inclined to think not. I think it is rather unusual to have a situation that an appointment be made by the Speaker subject to the confirmation by the Senate. I do not know what kind of an officer that would be.

The CHAIRMAN. How would that fit in with the provision of the Constitution which provides that—

He [the President] shall have power, by and with the advice and consent of the Senate, to make treaties provided two-thirds of the Senators present concur; and he shall nominate, and by and with the advice and consent of the Senate, shall appoint ambassadors, other public ministers and consuls, judges of the Supreme Court, and all other officers of the United States, whose appointments are not herein otherwise provided for, and which shall be established by law.



Mr. WARWICK. That is the section of the Constitution I had in mind in considering for some time past how this appointment could be made.

Mr. TEMPLE. Well, there is a clause there that seems to throw it wide open, "all other officers of the United States whose appointments are not herein otherwise provided for."

Mr. WARWICK. Yes; and that is outside of the Houses of Congress. When you come to an officer that is not an officer of the Houses of Congress, then I think they are all——

Mr. TEMPLE (interposing). All officers of the United States?

Mr. WARWICK. Yes, sir.

The CHAIRMAN. There is this further provision:

But the Congress may by law vest the appointment of such inferior officers, as they think proper, in the President alone, in the courts of law, or in the heads of departments.

Which are those not otherwise provided by law, and allowing Congress to provide for their appointment.

Mr. WARWICK. Yes; Congress could not create an office and provide for filling it differently than as provided by the Constitution. And then that other section that each House shall choose its own officers. But there is nothing there to the effect that an officer can be chosen by both Houses.

Mr. GARNER. I think it is pretty clear that the framers of the Constitution intended to take away the power to appoint an officer from Congress on the theory that if they did they might absorb it.

Mr. WARWICK. They might influence the executive branch, just as is provided now that no Member of Congress can accept any office from the President. I think the Constitution fairly indicates that the legislature will create offices to be filled by the President and not by Congress; that the legislative activities are limited to the two Houses. It might include, I will admit, an audit of public accounts. Congress might create a body of 2,000 people to make that audit. I have no doubt of the right to do it, but I do not think it is practicable.

Mr. HAWLEY. Judge Warwick, you spoke a while ago about the creation of an independent bureau. Will you be kind enough to elaborate a little on that and state what is in your mind?

Mr. WARWICK. Well, I had in mind an independent establishment of the Government, call it a bureau or what you please. You might call it an accounting department. My idea was that it was not to be an executive department in the sense that we have executive departments the heads of which are what we call the Cabinet.

Mr. HAWLEY. Would you have one man or several men?

Mr. WARWICK. I would have one man at the head of that department.

Mr. HAWLEY. What authority would he have?

Mr. WARWICK. I would give him the authority that the six auditors and the Comptroller of the Treasury now have and the further duty of making certain reports to Congress.

Mr. HAWLEY. Would you give him the authority to raise the question as to the legality of any expenditure, as to whether it is conformable to law, before it is made?

Mr. WARWICK. That authority exists now in the comptroller. I would give him the authority to raise the question of the legality of the proposed expenditure before it was made.

Mr. GARNER. And also require him to construe the laws passed by Congress carrying appropriations at as early a date as possible, so that those various departments might know what his construction of it was?

Mr. WARWICK. Yes; to issue regulations or instructions upon those subjects. I think he also ought to have the duty of questioning the necessity for expenditures as well as the legality.

Mr. HAWLEY. Would you give him the authority to inspect contracts to see whether in his judgment they were excessive?

Mr. WARWICK. Well, he has that authority in a way now in the auditing of accounts.

Mr. HAWLEY. This is what I mean: Here is a public building to be erected and the department has asked for bids and is about to make an award; would you give him authority to look over that contract to see whether in his judgment the amount the building is to cost was a proper amount, or an excessive amount?

Mr. WARWICK. No; I would not give that department that authority.

Mr. HAWLEY. It has been suggested that if the comptroller general or auditor general, or whatever title he might have, had the authority to inspect the expenditures of any department prior to the making of the expenditure it might be such a limitation on the discretion of the department as to limit it in its functions?

Mr. WARWICK. I think it might well go to the point where it would be embarrassing to the department executing the law. I think that must always be guarded against in any accounting department that is to operate without too much friction. Of course, I go on the theory that a reasonable amount of friction between the auditing office and the spending office is merely an evidence that the auditing office is alive. If everything is harmonious, I do not think the auditing office is accomplishing much. So that the position of Comptroller of the Treasury is not a very popular one; possibly the more he does the less popular he becomes. If he allows the job to go along easily and says nothing, he may accomplish nothing. But it is an unpopular place.

Mr. BYRNS. Judge Warwick, you said a while ago that you would give this officer the right to inquire into expenditures. To what extent would you go? And if he had any general authority along that line, would it have the effect of embarrassing or hampering—

Mr. WARWICK (interposing). No; I had in mind there criticizing it after it was done.

Mr. BYRNS. Oh, is that it?

Mr. WARWICK. That when he got a voucher before him showing an expenditure of \$100,000 or any other amount that he would report to Congress that half of it had been wasted, if it is his opinion that half of it was wasted.

Mr. HAWLEY. But in every case you would give him the authority to investigate the legality of the expenditure before it was made?

Mr. WARWICK. Oh, as to the legality, if it is possible to do it, that should be done in every case before the money is expended; before the obligation is incurred.

Mr. GARNER. In other words, the auditor has these things that come under his observation and the information he has as to the expenditures; would you give the auditor the authority to report

to Congress as to the expenditures and the wisdom with which they were expended?

Mr. WARWICK. I would have an annual report and special reports to the various committees of Congress, to express his opinion as to the necessity and the economy and efficiency of the expenditures that had been made during the past year.

Mr. HAWLEY. That is, take up the question of policies; Governmental or public policies?

Mr. WARWICK. Somewhat. It would not mean that an accounting department would go in and express its opinion on the action of the Secretary of War on a question that was doubtful, but if some bureau of the War Department had made an expenditure that had not produced useful results, I think it ought to be made by law a duty of the accounting department to show it to Congress. The very fact that this department would be charged with making reports would prevent the necessity for them to a considerable extent.

The CHAIRMAN. Wouldn't this happen: You created an independent establishment; Congress was looking to it to discover any inefficiency in the department, or to discover where money was being spent that was not well spent, and the auditor of that department did not discover it, he would soon lose his place as an auditor?

Mr. WARWICK. Yes, sir.

The CHAIRMAN. And wouldn't it result in a natural, healthy exercise of the real functions of an auditor to the extent that while being an independent establishment, it would be an establishment at all times that would be a check against extravagant expenditures of money and inefficiency in a department, and operate, therefore, as a check against excessive estimates being made for appropriations by the executives?

Mr. WARWICK. I think that is exactly correct. And that one thought—just to carry that thought a little further, we want to remember the moral effect of an auditor. If a department knows that its accounts are going to be carefully examined and are going to be criticized for the benefit of Congress, you have accomplished a great deal there. It is not what the auditor catches and criticizes but things that are prevented.

Now, I think an accounting system ought to be so devised and operated that it will catch as far as possible the improper, illegal, and unwise expenditures before they are made. A post-mortem is not of much value, except when we learn by experience we may prevent it the next year, but the best audit system is one by which the incurring of obligations contrary to law will be prevented, and I think the situation in the whole Government has improved in recent years. I think the tendency of the departments is to spend their money in accordance with the appropriations.

Now, as to whether they have got larger appropriations than they need is not a subject now that concerns the accounting officers, nor whether they have a balance left. When you come to the subject of estimates, of course, that is a difficult subject, because if a man is any good he is building up his bureau. Suppose he has a bureau like one in the Agriculture Department, or in the Department of Commerce. He can well spend probably all the money he can get if he is promoting something; if he is promoting agriculture or promoting trade.

Now, he can well come here and ask for double the amount he had before and spend it well. Of course, I do not consider that he is to be blamed for wanting to do twice as much good as before; that is up to Congress to decide how much they can and will give him.

Mr. GARNER. What the policy shall be?

Mr. WARWICK. What the policy shall be; but I do not think his estimate is entirely wrong. On the other hand, if it is a fixed bureau, or bureaus that have a fixed duty, and when they get through with that they are through, they may be charged with asking too much money; but where his field is unlimited he becomes enthusiastic, and that is all right.

The CHAIRMAN. Judge Warwick, we have not taken up with any of the gentlemen appearing before the committee the details of the various bills before the committee. Because of your very intimate knowledge of this matter of an audit system and the desire of the committee to have accurate knowledge of that feature I wish to ask if you have analyzed the bills far enough to say whether or not in any of them there are principles laid down that might be dangerous to adopt?

Mr. WARWICK. I have not examined them all. Most of the bills are very short. Most of them leave the establishment as it is with a change of name and take it out of the department and put it under Congress. But, as a rule, they have not changed the jurisdiction.

The chairman's bill, 1201, goes somewhat further than the others and takes the offices out of the Treasury and makes them an independent department. That feature, I think, is essential. That is what is generally understood, I think, as putting them under Congress. When you create a separate department, independent of any executive department of the Government, and the President has made the appointment and Congress has put in the law a limitation on the power of removal, such limitation as they can constitutionally make, the executive department is through with that establishment and the establishment will be looking to Congress for its subsistence and its life. I think the control of Congress over that audit is abundant from the fact that the establishment will not last long if Congress does not want it; not only can they change the law, but they can trim its wings to where it will amount to nothing. I think an establishment of that kind will be as distinctly under Congress as anything Congress could want. At the same time it would not be a part of the majority of either House of Congress and would not be subject to a change of majority, but it would be in close cooperation with Congress; that would be its real duty, its statutory duty, and its natural duty.

The CHAIRMAN. Well, one of the bills provides:

That the office of auditor general, assistant auditor general, and solicitor of the audit office are hereby created. That the auditor general shall be appointed by a committee composed of the Speaker, the majority leader, and the minority leader of the House of Representatives; he shall hold his office during good behavior.

It has occurred to me from a practical standpoint that no matter how well a man behaves, when the Congress changes its political complexion the officers of the House change at the same time. Now, wouldn't that be the result under a congressional control, and wouldn't it be a very wise thing to have a control where the auditor general or

the comptroller general would not be liable to be changed every two years?

Mr. WARWICK. I think so. Of course, you gentlemen of the committee are much better judges of the value of an employee of the House selected each term than I am; but my observation is that that tenure would not produce any substantial results and would be unsatisfactory all around. No man would be of much value after he had been here two years no matter how he worked; it takes longer than that to be of any real value.

The CHAIRMAN. Well, it was with regard to the technical duties of the office I had in mind so far as it would affect the service.

Mr. WARWICK. Oh, yes; he could not learn his job in two years. It takes a man at least three or four years of hard work to get familiar with the accounts of the different departments and all the rules and laws and regulations. A knowledge of the laws of Congress is difficult; there are so many of them.

Mr. TINKHAM. I would like to ask a question along this line.

The CHAIRMAN. Very well.

Mr. TINKHAM. If we adopted the principles of a presidential budget, then should not Congress have control by an independent auditor rather than have a separate bureau with a head appointed by the President; wouldn't that be giving practically everything to the Executive and reserving nothing to Congress, or leaving too much to the Executive?

Mr. WARWICK. Well, it seems to me that question goes on the assumption that the appointment by the President would make the appointee in some way subservient to the President or Executive.

Mr. TINKHAM. Well, wouldn't it?

Mr. WARWICK. I think not. Of course, the President could, if he wished, put into that office a man who would back the executive department—

Mr. TINKHAM (interposing). That's the trouble.

Mr. WARWICK (continuing). And fight Congress all the time, but you can not guard against that in public affairs; you can not guard against it.

Mr. TEMPLE. The Congress could refuse to appropriate any money to pay him a salary.

Mr. WARWICK. They could abolish the office or change it, but we can not go on that assumption, that the officer will be controlled.

Now, I think a fair example is the different Comptrollers of the Treasury. All have been appointed by the President. The law says their decision is final and conclusive on the executive branch. The President does not attempt to steer them in any way. He does not interfere or ask questions or make suggestions. It is the practice, I should say, generally, that the comptrollers never see the President directly or indirectly, except socially, as they might be at a reception; but I believe they are never at his office on business.

Mr. BYRNS. He would not think of doing that any more than he would think of trying to influence the Supreme Court?

Mr. WARWICK. I do not think the President would think of asking a comptroller to decide a matter a particular way, any more than he would a court. And I know that is true of all the Members of Congress. It is a fact—the public would think that it was not so,



maybe—but we do not have the Members of Congress of either House coming down to ask us to do things. We have them forwarding cases that their constituents have sent to them, but not coming down asking us that we do things. I know that sometimes Members are disappointed that claims are not allowed.

Mr. GARNER. They do not try to use any influence?

Mr. WARWICK. They do not try to use any political or other influence or persuasion. So in answer to the question it seems to me we come to the point where there is no hope when we say, if we leave the appointment that way that the President will control it. It is true he can put in such a man as he wants to, but it is not to be assumed he will put in a man that will be subservient.

Mr. TINKHAM. If the President has to appoint him and has the power of initiating appropriations you would advise as to retaining the office during good behavior, wouldn't you?

Mr. WARWICK. I would advise a tenure during good behavior if it is possible to make it that. I do not believe the power of removal by the President can be taken away entirely.

Mr. TINKHAM. On your analogy to a court——

Mr. WARWICK (interposing). Yes; but they are protected.

Mr. GARNER. By the Constitution.

Mr. WARWICK. Yes; by the Constitution.

Mr. TINKHAM. But the matter of the President not influencing the Supreme Court—they hold office during good behavior. Now, if the President should appoint an officer of this kind on the same basis——

Mr. WARWICK (interposing). I think the head of the accounting department should have a tenure as near that of a judge in the judicial department as is possible.

I think a removal by a vote of the Congress for official misbehavior would be a good thing. Any President is going to be slow to remove the head of an accounting department without a good reason.

The CHAIRMAN. Judge Warwick, thinking this matter over, it has occurred to me that it would be a good thing to put into the law something with regard to the forced retirement with a certain compensation after retiring; otherwise, while Congress might hesitate to vote to remove a man because of age, yet, because of his extreme age he might not be as efficient as a man ought to be in that position. Under a provision something like we have with reference to the courts. What have you to say with regard to the necessity of a provision of that kind?

Mr. WARWICK. I think there ought to be an age where he ought to go out of office, whether with retirement pay or not. But, of course, it would be better if the age was fixed with some provision for pay; but I should say it would be important that at an age, say, beyond 70 years he would be ineligible to hold office, just as I believe the judges should be ineligible to hold office after 70. The Constitution makes that now impossible, but Congress has always done the nearest they could to it by offering them full pay if they would resign after the age of 70. But the position should not be filled with a man past a certain age.

Mr. GARNER. If you have some provision with reference to a retirement on half or three-fourths pay, there should be some provision with reference to the age when appointed.

Mr. WARWICK. Yes; he must have served at least 10 years like the judges, to retire at 65 on half pay, but at 70 make it obligatory. Of course, if he has not served 10 years he would get no pay. Ordinarily a man would grow up in the work; that would be the outcome, that he would be put in as assistant comptroller, and then comptroller; that would be the natural development.

Mr. TINKHAM. Judge Warwick, what do you think of the advisability of the initiating of appropriations by the executive?

Mr. WARWICK. Well, I think there has been for some time a need for what is commonly called a budget. I suppose there are a hundred different ideas of what a budget is. I reached a conclusion in the last two years that as a result of this war some form of budget must be adopted by this country.

Now, my idea of the fundamental principle of a budget is that there shall be considered at the same time the receipts and expenditures. After next July, the fiscal year 1921, I think it is a fair statement to say that the people of the country are going to demand that the revenues of that fiscal year equal the expenditures; that whatever amount Congress intends to appropriate for 1921 must be equaled by the amount of revenue, and that there shall be no bond issue for current expenses.

Now, that brings you right up to the budget system. If it is necessary to have appropriations of \$6,000,000,000, and Congress finds that there are revenues of only \$4,000,000,000, it has got to be met with more taxes or reduced expenses. Now, that is what I think a budget ought to be, and I think it ought to be initiated by the Executive. I think the President should put up to Congress annually a statement of the appropriations he thinks are necessary to a proper running of the Government for the next fiscal year, and a complete statement of the anticipated revenues and a suggestion as to what legislation is necessary, what additional taxes shall be levied in order to make the revenues equal the proposed expenditures. In connection with that he should set out the past year's expenditures, and comparative tables of revenues and expenditures for several years, and all information on the question of making both ends meet that he has, and all the recommendations that he has to submit to Congress. That is a budget, and it should be properly analyzed by the executive departments under the several heads of appropriations and classified by departments and bureaus. It will bring together under several classifications, not only by organizations, but it will bring out the functions so that you will have the estimates classified by the different activities of the Government, and you will find in that way where they conflict—where they duplicate work.

Whenever you can get the different bureaus of the Government down to a point of putting down their different duties you will find that some of those duties are self-imposed; they have been accumulating for years. But when they set out the duties they are required by law to perform, they can show what the performance of those duties has cost during the year and what they want for the next year. And by analyzing those tables and bringing them together and shuffling the cards you can bring out some questions of value and avoid duplications.

I think one trouble with the committees of Congress, if I may make a criticism, has been that in my experience I have never known a committee here to ask a bureau officer why he wants as much appropriation the coming year as he had the last. My experience has been that a bureau man never was sent for if he had not asked for an increase.

Mr. TEMPLE. I have had experience on only one appropriation committee; but that is the first question that is asked in the Committee on Foreign Affairs, "What do you want with this money?"

Mr. WARWICK. No; what I mean is this; if I make my estimates the same as last year I am never called before the committee.

Mr. BYRNS. I was going to say, Judge, with reference to the bills coming before this committee, they do ask it.

Mr. WARWICK. No; I say if a bureau has had a half million dollars a year for the last 10 years, you do not ask them why they could not get along with \$400,000; I think you ought to, and whether they can not get along with less; whether one-fifth of the work they are doing is not out of date; they have been doing it, but they ought to quit. The estimates that are not increased are limited.

Mr. BYRNS. Necessarily limited, but, I think, notwithstanding it has been the practice of the committee to inquire into it.

Mr. TEMPLE. Do you remember one gentleman who resigned because we cut down the appropriation?

Mr. GARNER. Yes. But I think the statement of the comptroller is correct. Where they have gone along with \$500,000 for four or five years, and there has been no reduction; now, his suggestion is that the committee can look into the necessity of that and often reduce it a great deal.

Mr. TEMPLE. I think the existing appropriation does create a presumption, but the statement that it is not inquired into is rather sweeping.

Mr. WARWICK. I did not say it was never inquired into.

Mr. TEMPLE. I thought you said if there is no increase he is not called for by the committee.

Mr. WARWICK. If there is no increase I am not called before the committee.

Mr. BYRNS. He may have certain duties to perform from year to year?

Mr. WARWICK. I had in mind certain scientific bureaus that will start an investigation during certain years; that would not be necessary perhaps for many years.

The CHAIRMAN. This invitation of yours will be accepted, and you will be called before the committee.

Mr. WARWICK. I will ask for an increase so that I will have the pleasure of coming up; it is a good excuse for coming here, and I do not want to miss it.

The CHAIRMAN. Judge Warwick, another phase of the situation relates to the form that the estimates must take. I suppose the value of that is appreciated by Congress and the committees, and certainly is appreciated by the auditing department. What have you to say with regard to the uniformity of some system of accounts and estimating for appropriations?

**Mr. WARWICK.** Well, so far as the estimates are concerned, I have always thought that the time would come when estimates and appropriations would be in less detail than they are now. I know that there is a general principle that operates in Congress of further itemizing appropriations, especially with reference to salaries so that certain appropriations of departments, those not for salaries, for instance, contingent expenses, have been elaborated, so that you may have 40 lines in the statute every year to describe what may be paid out of that contingent fund. That itemization ought to be in the form of a permanent law, so that the words "contingent expenses" ought to be known as covering certain items, without repeating the words in every bill. Congress has made great progress on that line, as you have in the sundry civil bill for the National Home for Volunteer Soldiers. You do not repeat the words under each head, so that there has been considerable shortening up in recent years, but more can be accomplished.

Now, as to the question of statutory salaries, I think it will be conceded that when Congress has a system of regulating salaries by a general rule then the consideration will be more satisfactory all around.

**The CHAIRMAN.** Do you think the appropriations should be continued to be made as we make them now, or should they be made for functions of the Government rather than particular services of the Government?

**Mr. WARWICK.** Well, that would involve—if you attempt to change the functions of the Government it would involve a reorganization of the departments. As it is now the appropriations must go to particular departments.

**Mr. TEMPLE.** If the organization units were classified according to functions so that the two would coincide?

**Mr. WARWICK.** Then the functions could, of course, follow. I look, of course, for a budget system to produce, from the action of executive authorities and the action of Congress particularly, a reorganization of the executive departments during the next five years, say, that will get the departments in better condition than they are now to avoid the duplication of work in the departments.

**Mr. TEMPLE.** Do you think, Judge Warwick, that the preparation of systematic budget estimates will help that reorganization?

**Mr. WARWICK.** Oh, I think it will undoubtedly.

**Mr. TEMPLE.** By calling attention to unnecessary——

**Mr. WARWICK** (interposing). That the budget system will bring these duplications and inequalities and whatever is wrong, will bring them to light, just what is wrong and an analysis of the conditions will show that the same or similar work is being done elsewhere; it can not help it. Now, the appropriations being for a bureau, do not show what their work is, what their duty is by law, either what their duty is or what they are actually doing. But a budget should reduce those problems; it should bring to the surface those things that are now hidden.

**Mr. TEMPLE.** In that way it would perform a very valuable service.

**Mr. WARWICK.** Oh, yes.

**The CHAIRMAN.** Judge Warwick, we are very much obliged to you.

WEDNESDAY, SEPTEMBER 24, 1919.

**STATEMENT OF BRIG. GEN. H. M. LORD, DIRECTOR OF FINANCE  
OF THE WAR DEPARTMENT.**

The CHAIRMAN. Gen. Lord, you are director of finance of the War Department?

Gen. LORD. Yes, sir.

The CHAIRMAN. And in that capacity you made some changes in your system of finances in that department that have been so favorably commented upon that we would like to have a statement from you thinking that it might be of not only interest to the committee but of service to it in arriving at conclusions with regard to budgetary legislation as a whole. We would be glad to have you make a general statement with regard to what you have done in the War Department in this regard.

Gen. LORD. Some months ago, I think in February last, I asked Mr. Willoughby, of the Institute for Government Research, to come into my office and make a study of our financial system—what we were trying to do and what we should do. That was prior to the publication of the bills now before this budget committee, but experience during the war and experience since the signing of the armistice emphasized very decidedly the need of some readjustment, some reclassification, some new system of accounting; and Mr. Willoughby made that study, and later in my remarks I will call attention to certain conclusions resulting therefrom which I consider very wise and very timely.

The War Department as organized to-day under permanent law. I think offers a very striking illustration of the urgent need of the installation of some orderly procedure like that which is covered in H. R. 1201, the Good bill, so called, and such other bills as have the same ultimate purpose in view.

The War Department since April 6, 1917, has had appropriated for its use \$24,304,388,343.97. The War Department entered this war without any fixed and determined or carefully digested and prepared financial system. It was impossible under the statutory organization existing to have any such system. There were at the beginning of the war five statutory bureaus each independent of the other, each making its own contracts, doing its own purchasing, and making its own disbursements—doing its own accounting, with as many different methods as there were bureaus. As a result they were competing with each other in a field in a market where the supplies in many cases, for which they were competing, were restricted in amount. Later on, under the Overman Act, these five independent bureaus were increased to 12, each proceeding in the same way.

Under the reorganization bill that is now being considered by the Military Affairs Committees of both Houses eight independent supply organizations are to remain, and possibly 10, as two more are being considered.

This competition between bureaus in purchasing was later corrected under the Overman Act. That is, a certain central control was established which regulated the purchasing of supplies and priorities and questions of that description, but not until 1918 was any attempt made to centralize and coordinate the finances, and there



was no control, no central authority, to modify, prune, revise, or compare estimates submitted and to coordinate expenditures, and it naturally resulted in overlappings and duplications, and some of them of a large amount. Each of these bureaus had its own method of financing, its own method of accounting, its own method of disbursing, its own disbursing offices, its own disbursing officers, its own variety of bookkeeping.

Now, this is in no wise to be construed as a criticism of the bureau chiefs. They were able men and did a wonderful amount of constructive work in spite of this system or lack of system, and the faults to which I have pointed were inherent in the system, showing the need of some sort of influence or authority that would bind them together and coordinate them under one control. This affords an excellent illustration of the problems lying outside in the field of expenditure that are in large measure responsible for these various bills that this committee is considering. Because of this lack of control, there being no controlling head, the War Department had to face many serious financial problems during the war, and I thought that I would outline briefly some of these problems which under a budgetary system, such as you are considering, the War Department would not have been called upon to face during the war.

One problem that faced us was that of exchange, the rate of exchange after we went into France. We were called upon to disburse millions of dollars overseas to pay troops and purchase supplies, and without an established conversion rate it would have been almost impossible to conduct business at all.

I was at that time at the head of the finance department of the Quartermaster Corps. I had no connection with other bureaus and was not authorized to speak for other bureaus, although this matter of exchange was of great importance, affecting all supply bureaus. I came before the Appropriation Committee, and in a bill approved July 9, 1917, succeeded in getting authority for the Secretary of the Treasury to establish a fixed conversion rate for a certain period. Fortunately the Treasury Department construed the law as applying to all bureaus, although in the law itself it stated it should apply to Quartermaster funds. I had no authority to request legislation for other bureaus, and asked for legislation specifically for the Quartermaster Corps, but the Treasury officials did construe the law to apply to all department funds, and I think the Post Office funds as well, so that at the rate fixed for any month by the Secretary of the Treasury disbursing officers overseas disbursed and received funds on the basis of a conversion rate fixed for that month.

Each disbursing officer who went overseas under the War Department procedure existing at the opening of hostilities cabled individually for the funds that he needed.

At first there were but two or three disbursing officers in France, but as the disbursing officers increased the cables were loaded with those requests for funds, covering, some of them, different appropriations, and confusion resulted in the War Department and in the Treasury Department because of the multiplicity of these cablegrams. I recommended to the then Acting Quartermaster General, Gen. Goethals, that there be designated one central disbursing officer for each bureau of the War Department represented in the American Expeditionary Forces. He recommended it to the Secretary of

War, and it was approved later, so that we had six officers calling for funds instead of a hundred. Later I recommended that instead of the six there be one central officer, and that he call for the funds for all the bureaus, and then distribute them to the various bureau disbursing officers, and that was finally approved. I am citing these cases to show you the situation. There was no central authority to handle financial matters that pertained to two or more of the bureaus. I belonged in one bureau, and these recommendations of mine constituted an interference on my part if the other bureaus had been disposed to so consider it.

The next question was to perfect our fiscal arrangement overseas. As the representative of the War Department I worked out with the Treasury Department the procedure under which we are still operating, making use of the Guaranty Loan & Trust Co. and the Farmers' Loan & Trust Co. and the Equitable Trust Co., as fiscal agents of the War Department in France.

Again we progressed in methods for handling funds in the hands of disbursing officers in the field. One of the great troubles we have always had is the accumulation of dead funds in the hands of disbursing officers. Every disbursing officer is afraid to get out of funds for fear that he will not have money for current obligations. And overseas the accumulation of funds in the hands of disbursing officers assumed serious proportions. This was worked out with the Treasury Department, so that all money was kept under the control of the central disbursing officer in Paris, and no money was given or placed to the credit of disbursing officers. Each disbursing officer submitted monthly the estimate of his needs for the month. This amount was not placed to his credit, but the bank was notified to honor his draft in the next month for that amount. At the end of the month the bank notified the central disbursing officer, called the financial requisition officer, of the amount of checks received on account of that disbursing officer, and an actual deposit of funds was then made to cover the checks presented.

The wisdom of that procedure will be evident when I call your attention to what occurred in March of this year. The conversion rate for the month, as established by the Secretary of the Treasury, was 5.45; that is, 5.45 francs for a dollar. During March the rate fell to 5.70 and later below 6. We then had in the hands of the French Government subject to the call of the financial requisition officer \$285,000,000 worth of francs, which we had bought at 5.45. This meant a loss to us on the first drop of approximately \$13,000,000, lost by exchange. Under the old procedure, under the statutory bureau system, this money would have been out in the hands of disbursing officers numbering between 300 and 400, and there would have been no possibility of protecting the Government. As it was the matter was immediately taken up at our request by Mr. Davis, of the Treasury Department, with the French Government, and a saving was effected, or, rather, a loss prevented, of approximately \$13,000,000. The total loss prevented, however, on the total drop in exchange was more than \$15,000,000.

The actual consolidation of finances was attempted in the latter part of January, 1918. An expert accountant came on from Chicago and an attempt was made to consolidate the finances. In October, 1918, the present consolidation of War Department finances was ef-

fect, and a Director of Finance appointed to conduct its operations. I was appointed Director of Finance and immediately called to my aid an advisory council who have served without pay. The council consists of Otto H. Kahn, of Kuhn, Loeb & Co., New York City; C. D. Norton, of the First National Bank of New York; C. B. Seger, then president of the Union Pacific, now president of the United States Rubber Co.; C. G. DuBois, controller of the American Telegraph & Telephone Co.; Gerard Swope, of the General Electric Co.; George Frazer, of Frazer & Torbert, of Chicago, a financial expert; and Sol. S. H. Wolfe, of New York, a well-known authority on fiscal matters.

The plans of this consolidation involved, as I stated, at that time some \$18,000,000,000 and included some 400 Treasury Department appropriations, and this advisory council met with me and I with them, and such plans as were put in effect were submitted to them for approval, disapproval, or modification. They rendered invaluable aid, and if it is not out of place I wish to say here that the present Comptroller of the Treasurer, W. W. Warwick, who does not function in that council, has been to me, I was going to say, a daily counsellor, since I have had these extraordinary financial problems to solve. He has been accessible at all times, and I have gone to him more frequently for advice than for decision, and I have always found him a wise and safe counsellor; and I can not express how grateful I am to him for his invaluable help; and I wish to bear testimony to the splendid contribution he has made to the successful prosecution of this war.

Under the statutory organization of the War Department no serious effort was made or could be made to compare, prune, modify, and revise estimates, and as a result they were carelessly made, resulting in many discrepancies and duplications. Estimates were prepared by different bureaus for the same class of supplies with varying costs. Under the present emergency system all estimates are made by the chiefs of the bureaus. They are then submitted to the Director of Finance and he has them carefully studied to see whether other estimates are made for the same kind of supplies or activities. We naturally discover duplications that otherwise would not have been discovered, unless the committee in its interrogation of witnesses discovered them, and probably not then. I have in mind in a recent estimate two bureaus estimating \$250,000 for the same project or activity and this duplication eliminated as a result of comparison in the office of the Director of Finance, and many instances of that sort could be cited to show the necessity of a careful study of estimates and placing them side by side to see that they do not overlap but do dovetail together, so that there may be submitted to Congress a well-balanced and well-digested estimate.

As the appropriations are made to-day, after approval by the President they go to the State Department as the office of record, and then to the Treasury Department for placing on the Treasury books, and then the department heads, Secretary of War, or Secretary of the Navy, etc., are notified of the amount of money that stands on the books of the Treasury subject to their requisition.

During the discussion to-day the question came up as to what attempt is made to control appropriations. The members of this committee are familiar with the legal requirement, compelling chiefs of

the executive bureaus to apportion funds over determinate periods of the year for the purpose of preventing deficiencies. I do not know to what extent that is faithfully carried out in the various bureaus, but know that in some bureaus compliance with the law has been merely perfunctory. With respect to the War Department, however, and the last appropriation bill, the Army appropriation bill of July 11, 1919, an attempt was made to so apportion that appropriation as to give the Secretary of War real financial control of his funds. The apportionment made by the Secretary of War is prepared after the bureau chiefs have divided the amount of their appropriations into quarters. The appropriations carried in the Army appropriation act of July 11 have been divided by the Secretary of War into quarters, he reserving out of the amount appropriated certain funds carried under the head of "General Reserve." All of the money is apportioned, the reserve being a part of the apportionment, but the amount of the reserve is not placed subject to the call of bureau chiefs, this being an attempt to put by a certain amount of money to meet emergencies which may arise, so that it will not be necessary to come before Congress for deficiencies.

To illustrate: The first appropriation in the Army bill is for contingencies of the Army. The original estimate was for \$100,000, which has been the appropriation for those purposes for several years. Later an estimate was submitted for an appropriation of \$1,000,000 for the expenses of the Director of Sales in disposing of surplus war supplies. Congress gave a total of \$1,000,000. In making the apportionment the Secretary of War set aside \$600,000 for Mr. Hare, putting aside \$300,000 for a reserve. Later the two aviators were captured in Mexico and a ransom demanded. If the comptroller decides that the \$15,000 called for or the \$6,000 or \$7,000 paid can be paid out of contingencies of the Army, it will probably be paid out of the reserve. This is given as an illustration of the wisdom of having some fund for emergency purposes that is not being expended by the bureaus and not in the immediate control of the bureaus.

Mr. TEMPLE. May I inquire on that point, Gen. Lord, was the \$1,000,000 appropriated for a certain bureau?

Gen. LORD. No; for contingencies.

Mr. TEMPLE. Then the \$600,000 was set apart—

Gen. LORD (interposing). \$100,000 for straight contingencies, \$600,000 for Mr. Hare and his work, and that left \$300,000 for a reserve to meet exigencies, Mr. Hare's or others.

Mr. TEMPLE. Yes; I understand now.

Gen. LORD. Under this system the bureaus have still full control of their funds. Under the system established by the director of finance, bureau chiefs are notified of the amounts which the Secretary of War has apportioned, and no expenditure is made under those appropriations by the director of finance or his agents unless the money is specifically allotted by the bureau chief.

The bureau chief approves his own projects and notifies the director of finance of the amount to be allotted to each of these projects, and the director of finance makes the allotment from the proper appropriation to the disbursing officer, as indicated by the appropriate bureau chief, so that the bureau chief has absolute and entire control of his own appropriations, the force of the director of finance being to dis-



bursing officers and bookkeepers, rendering service in those capacities for the various bureaus.

We never have had in the War Department, I contend, any financial control whatever. The one striking illustration of the need for such financial control, the need of some centralization of disbursements, will be illustrated in the history of the Sherley bill, which we always referred to in the War Department as the "Sherley cut." If you remember, hearings were held in December last by the Appropriations Committee of the House for the purpose of reducing amounts appropriated—that is, to take away from the executive bureaus the authority to expend moneys that had been appropriated under war conditions.

In that bill, from the War Department appropriations there were repealed \$6,856,835,124.70, money actually appropriated. There were authorizations repealed—that is, authority to obligate—amounting to \$8,190,029,294.70, a total of something more than \$15,000,000,000. In the hearings the various bureau chiefs appeared before the Appropriations Committee and stated what in their opinion would be the amount that they would need for the purpose of completing their contracts and what they would need for the balance of the year for current expenditure, and the balance was repealed. This \$6,856,000,000 represents the amount of actual appropriations that, on their showing, could be repealed.

After the bill had become a law it developed that by reason of unknown obligations overseas, mistakes in estimating the amounts that would be saved in the termination of contracts, and failure to appreciate the demand upon the bureaus for the balance of the year for current needs, it was found that under "General appropriations for the Quartermaster Corps," which is the great maintenance appropriation of the Army, covering subsistence, all classes of supplies, clothing and equipage, and transportation, there was immediately on the passage of that act a deficit amounting to a little more than \$800,000,000.

If you will remember, there was in the deficiency bill that failed of passage March 4 an estimate submitted by the Director of Finance for that amount of money so that that deficiency could be made good. Congress adjourned and left us in the face of the fifth loan, the Victory loan, with no money in the Treasury for the purpose of paying the outstanding bills and contracts that were being terminated, and Congress not in session. Payment was stopped for a week or more in Boston, New York, Chicago, Washington, and at other points, but the effect of such a discontinuance of payments was so serious, as evidenced by reports from the field, that it was evident that there must be some solution of the problem other than the suspension of payments.

There was in the hands of disbursing officers outside, as a working fund, something more than \$600,000,000 of general appropriations for the Quartermaster Corps, the appropriation most seriously affected. Payments were resumed and continued from that working fund, and when Congress again came together there had been no discontinuance of payments and no disturbances in the industrial centers of the country which would have inevitably resulted had payments not been resumed. There had not been a ruffle on that account, but we still owed the Treasury Department on account of that appro-



priation something over \$800,000,000. We came before the Committee on Appropriations and stated that, having all the appropriations in one book, for the first time in the history of the War Department, it was evident there were sufficient funds—surplus—in certain appropriations to more than meet deficiencies in other appropriations. There were two things to do, either to come before the committee and ask for a deficiency appropriation of \$1,270,000,000 or to ask for what amounted to budgetary authority to use portions of the surplus to pay obligations that had already been incurred.

Congress gave the War Department that authority, and we took \$770,000,000 from the Ordnance surplus, \$450,000,000 from Quartermaster Corps appropriations, \$20,000,000 from Air Service (military), and \$30,000,000 from Air Service (Production), making a total of \$1,270,000,000. That is, Congress gave us authority to use funds not to exceed those amounts from those specific appropriations for the purpose of pay our indebtedness. And I wish to state that we kept faith with Congress, and the first step we took under that authority was to turn back into the Treasury \$822,789,983.48 to complete the cut made under the deficiency act of the previous Congress. This procedure, which obviated a deficiency appropriation of \$1,270,000,000, was made possible by the financial control given the Director of Finance.

Under the procedure which has heretofore been followed we had in New York City five or six disbursing officers—one for each of the various disbursing bureaus. We have consolidated them: we have all the officers in one place. We have one disbursing officers who pays all accounts that are presented, paying them all out of one appropriation, the account as to appropriations being adjusted afterwards through a method instituted by finance, and based on the issue of a working balance to each disbursing officer.

I do not wish to tire you with these various illustrations, but to me they point the necessity for some sort of constraining authority that will compel uniformity on the part of the executive bureaus in connection with their disbursements, their bookkeeping, their accounts, and their reports. In submitting statistics from the War Department, of which I can speak, no two bureaus have been using the same financial language. There is no uniform practice as to terminology. They speak with varying meanings of allotments, reservations, apportionments, and balances, and the word "balance" does not mean anything in an ordinary report unless you know whether it is a Treasury balance, a bank balance, an obligated balance, or an unobligated balance. One thing that the Finance Service has instituted to-day is terminology that is uniform and will not require explanatory adjectives to tell what the various technical terms mean.

The CHAIRMAN. That formerly was not true in the War Department?

Gen. LORD. That was not true.

Mr. GARNER. Let me ask you this, Gen. Lord, could not that be done in each one of the departments now, if you just had some Secretary, say a good man like yourself, to put it into effect. Do we need any law?

Gen. LORD. Oh, yes; it can be done.

Mr. GARNER. It did not need any law by Congress to do the thing that you are doing now, did it?

Gen. LORD. It is something that has been done in the bureau, because I have been given authority in the Overman Act to do these things.

Mr. GARNER. All right. Could not each of the other 10 Cabinet officers perform the same service if they would take the same action?

Gen. LORD. Yes, they could; but then you would have the bureaus, the executive bureaus, perhaps agreed upon the same terminology within the bureau, but that terminology might not agree with the terminology of another bureau.

Mr. GARNER. But still, if the President of the United States should, under the Overman Act, appoint some commission for the purpose of unifying—

Gen. LORD. Oh, that could be done.

Mr. GARNER. And you could do that without any law of Congress at the present time?

Gen. LORD. Yes, sir.

Mr. GARNER. I will direct your attention to the fact that it is not through neglect of Congress that these things are not done, but it is probably—I will not say neglect of the executive branch of the Government, but at least it has not been done by the executive branch of the Government, and can be done under the present law.

Gen. LORD. As I say, any measure like the Good bill or these other bills is going to compel this result. It must be dovetailed into this system.

The CHAIRMAN. Gen. Lord, if I understand the situation, so far as the War Department is concerned, this reorganization which you have effected as director of finance did actually produce a budgetary system for the department for the first time?

Gen. LORD. Yes.

The CHAIRMAN. So you brought your revenue or appropriations with your contract obligations in relation to each other so that you knew what you had to spend, the purposes for which it could be spent, and your obligations, and then, with the authority that was granted in the third deficiency act, you were able, without additional appropriations, simply to use the funds that had already been appropriated to extinguish contracts and obligations already incurred.

Gen. LORD. That is exactly so. In connection with the apportionments made, if an allotment should come through to-day from any chief of an executive bureau which shows that his quarterly apportionment will be overobligated under the procedure that has been established by the Director of Finance, that bureau chief is immediately notified that there is not enough in his apportionment for that quarter to meet that allotment, and that it will be necessary to get the waiver of the Secretary of War to allow enough to be transferred from the next quarterly apportionment back to the first quarterly apportionment. So in that way the Secretary is given for the first time real financial control of his appropriations. I say of his appropriations; they do not belong to the bureaus. They are on the books of the Treasury in the name of the Secretary, and only his requisition can get the funds out of the Treasury. He is the man that should control, and this system is intended to give him that control ~~because~~ Congress in the last analysis holds the Secretary responsible and not the bureau chief.

The CHAIRMAN. When the last fortification bill came before the House, the estimates were made before the armistice was signed. As I recall, the estimates were something like five billions of dollars. After the signing of the armistice, the reduced estimates sent to Congress called for about \$600,000,000. They were revised before the committee to about \$93,000,000 and the fortification act carried about \$11,000,000. Now, in the hearings it was discovered that while some of the officers of the War Department were requesting that there should be an appropriation—if I recall correctly now; it has been some time—of about twenty-five millions of dollars for railway gun carriages for guns of large caliber, it happened that one of the officers of the War Department who came before us explained to the committee that a railway gun carriage for a gun of large caliber (I think he said more than a 6-inch gun) would in all probability not be an efficient arrangement for a coast-defense carriage, because it was necessary under those conditions to have rapidity of fire with accuracy of fire, and that it was altogether a different thing for a coast-defense gun to be firing at a ship several miles at sea than it would be for a gun to be firing at a land defense, because in the one case, if it did not strike the vessel it was a complete loss, whereas in the other, if it did not strike the munition plant it was aimed at, if it struck the terminal facilities or some other factory, it was at the same time doing damage.

Now, it was at once apparent to the committee that it was to pass on a function that was primarily the function of the board of review in the War Department, and that here Congress had put up to it a scientific problem—highly scientific—to determine whether or not we should appropriate \$25,000,000 for the purpose of mounting 14-inch guns, when, as a matter of fact, when explained by one of the officers in all probability such guns, large guns, could not be effectively used when mounted on railway carriages for that kind of project. Now, I wondered whether or not your system has gone far enough so that when the estimates come in this year the officers responsible for the estimates may know that estimates for the expenditures of money for that kind of projects are, first, projects that have been approved by the board of review or some other board or division in the department; and, second, whether or not it is the judgment that those expenditures are absolutely necessary at this time.

Gen. LORD. That estimate was submitted by the Ordnance Department, which is supposed, so far as we are concerned, to be the last word in military necessity or military wisdom regarding such an expenditure. I remember that case of oversight. I was not here when your subcommittee was considering that estimate, but Col. Smith, who represented me there at the time, reported it to me. That, I think is a very extraordinary omission—whereas they must have known, having submitted these estimates to you from year to year, that you would naturally inquire whether the constituted standing board of review which passes upon questions of that character had given its approval to it. Whether any system we can set up will reach all those cases or not I could not promise, but we will serve to diminish the number.

The CHAIRMAN. You plan is calculated to look into all these questions before they are submitted to Congress?

Gen. LORD. To make a thorough study of them. Any system that we can install now is not going to function so very satisfactorily, no matter how fine the system, because at the present time we are in such an unsettled state as to just what our needs will be. We have no definite organization, and the overhang from the war is such that new problems and new questions are presenting themselves from day to day; but we should have a system of study of estimates, a system of comparison, so that when it comes to the Congress, Congress is not obliged to do detective work, and the committees do not have to investigate and cross-examine witnesses to get at facts that should have been made plain to the committees.

The CHAIRMAN. In the case that I have referred to I have been advised by officers of the War Department that the board of review did take up that matter and they have been at work on it, or were at work on it, at least, for several months afterwards, trying to determine the very problems that ought to have been determined before the estimate was submitted for the expenditure.

Gen. LORD. As I stated at the outset, Mr. Willoughby came into my office and made a study of our financial system with a view to finding out what was necessary in the way of a reclassification or a reapportionment of appropriations, functions, objects, and purposes, what could be done to get our financial procedures into shape so that we would be able to do just these things that you are discussing, and that we would be able to tell Congress for what purposes the money appropriated had been expended. You do not know now. We could not tell you under the old system just exactly what certain things have cost. Take the case of construction. Construction is in many appropriations; the bulk of it under the Quartermaster Corps appropriations for barracks, roads, walks, water, and sewers; and scattered through the other appropriations are authorities for construction, so that it would be difficult to-day to tell you how much was expended in any given period for construction purposes, and so with various classes of supplies in various services. Now, with that in view, as I say, Mr. Willoughby made a study of conditions in my office, and I want to submit here some of the conclusions reached.

The administration of the financial affairs of the War Department, to enable it to fit into any budget or procedure or system effected by Congress, calls for three things:

1. That its entire financial needs shall be estimated, considered, and provided for as a unit.

2. That these needs shall be stated according to a system of classification that shall be based upon certain principles that shall be rigidly adhered to.

3. That this system of classification of financial data shall be followed in all financial estimates, appropriations, apportionments, allotments, accounts, and reports.

To carry out these plans logically and properly the needs of the War Department should be submitted in a single document to a single committee.

The estimates submitted should be based upon functional purpose, organization units, activities, character of expenditures, whether for capital outlay, fixed charges, or current operations, and objects of expenditure; that is, supplies purchased, engagement of services, such as salaries, wages, travel, equipment, and the like.

The accounts of the department should be so kept that reports and estimates could be prepared showing the total expenditures and estimated needs from any one of those standpoints.

I might illustrate that. It might be desirable to know what we paid for horses, and we should be able to show what our total expenditure is for horses, whether they are bought for remounts or whether they are draft animals. You might want to know what the cost of the Cavalry organization is, or what the cost of our entire Cavalry service might be, and there would enter into that the cost of the horses.

In my opinion this same principle of accounting and classification should apply to all expending activities of the Government.

The present Army appropriation bill does not lend itself to a classification of that sort. The bill has had many additions to it which are in the nature of patchwork. It is not a well-balanced bill. I have taken this matter up with the Military Affairs Committees of both the House and the Senate, and they are agreed that when we get a reorganization law we will redraft the bill along some such lines as these, so that we can make an analysis and tell Congress definitely and intelligently just where the money that you have appropriated has gone, and for what purpose.

Mr. TINKHAM. When were these suggestions made by Mr. Willoughby and submitted to you?

Gen. LORD. That was last spring, in February, I think.

Mr. TINKHAM. Do I understand that any of these recommendations have been followed or applied?

Gen. LORD. Some of the things had already been applied. The outline here has not been applied in its entirety, but these points that I have indicated we have all agreed should be carried out, and if we once get our reorganization so that we will know the activities to be considered we can make a classification that will fit our organization under the new Army bill, and we propose to do it; and if I am still holding the position of director of finance I hope to have a hand in it.

What we have accomplished has been done, as I stated to the chairman the other day, in the midst of the stress of an enormous amount of work. That is, we have been doing the bookkeeping and accounting of an actual expenditure now of more than \$15,000,000,000, making payments in connection with the demobilization of troops, the payment of the bonus and the extra travel pay carried in special acts of Congress, and settling claims of enlisted men and officers. We have nearly 90,000 of those claims on hand and have paid 50,000 of them. We are doing a savings bank business of \$7,000,000 in connection with soldiers' deposits on which the Government pays 4 per cent interest. We have many of these other things, and we are trying to do all this and at the same time answer the questions of Members of Congress, at the same time under fire for not reducing our personnel when we really should be increasing it; but we have been trying to accomplish something along these lines.

Mr. GARNER. Under what provision of law was that savings bank department?

Gen. LORD. May 15, 1872.

Mr. TEMPLE. May I ask, in that immediate connection, whether under the provision by which a certain proportion of the soldier's



pay, say \$15 a month, was withheld, and that \$15 was not paid out on any allotment made by the soldier to a dependent, is there any interest paid on that amount of money?

Gen. LORD. No.

Mr. TEMPLE. It is on the voluntary deposits?

Gen. LORD. Voluntary deposits.

Mr. GARNER. That is one savings department of the Government that I did not know of.

Gen. LORD. Yes; we have now on deposit something more than \$7,000,000, deposited by soldiers, notwithstanding they have been paying their insurance premiums and compulsory allotments; and we had during the war more than a million voluntary allotments that were handled by finance, in the War Department.

Mr. TEMPLE. That is the number of allotments; not the amount of money?

Gen. LORD. The number of allotments.

The CHAIRMAN. Had you concluded your statement?

Gen. LORD. Yes. I think the committee has been very patient.

The CHAIRMAN. We are very glad to have the statement. Now, General, has the study of the necessity for a financial plan in the War Department led you to any fixed conclusion with regard to the establishment of a budget plan for the Government as a whole?

Gen. LORD. It has not. The only discussion I have had on that subject I have had with Judge Warwick. I followed him with a great deal of interest to-day, and do appreciate the necessity for some sort of concentration of accounting, as he has outlined it here to-day.

The CHAIRMAN. You are in agreement with Judge Warwick with regard to the necessity of having an independent organization?

Gen. LORD. I am; yes, sir.

Mr. TINKHAM. But you have no opinion as to whether there should be a presidential budget, and then unified consideration by Congress?

Gen. LORD. The provision in the Good bill, which is the only one that I have read carefully (I have not had time to look at the others), seemed to me to meet the needs. I have not, of course, studied it as carefully as you have. I was very deeply impressed with the fact that we needed some sort of budgetary provision for this Government. I was with the Committee on Ways and Means 24 years ago, as clerk, and Congress was discussing a budgetary system then.

Mr. TINKHAM. We hope to get some action this time.

The CHAIRMAN. Gen. Lord, again referring to the War Department, you are now preparing your estimates for submission for the next fiscal year. May I inquire whether or not this reorganization has progressed far enough to permit you to weed out the duplications in the service? You referred to one item. Is that quite general?

Gen. LORD. We have been doing it. We do not have sufficient authority at the present time to function as we should. But we hope to have; but we are doing something. As I stated, the estimates heretofore have been very unscientific. They have been very hastily prepared and we have had to act hastily upon them, and that merely emphasizes the need of having them well done. We are trying to eliminate all discrepancies and duplications. Extravagant estimates

we report to the Secretary of War with recommendations, and we have succeeded to a very great extent in reducing the amounts asked; because we have the appropriations together, side by side, and we can see, perhaps, the impropriety of asking so much here when a correlated service over here asks so little. We have not yet had the authority or perfected our plans so that we could give them the study and investigation that they should have.

The CHAIRMAN. Thank you very much, Gen. Lord, for this statement, because it bears upon the general proposition that we are considering here.

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THURSDAY, SEPTEMBER 25, 1919.

**STATEMENT OF MR. CHARLES D. NORTON, PRESIDENT FIRST SECURITY CO., NEW YORK.**

The CHAIRMAN. Mr. Norton, what is your present occupation?

Mr. NORTON. I am president of the First Security Co., of New York.

The CHAIRMAN. Of New York City?

Mr. NORTON. Yes, sir.

The CHAIRMAN. How long have you occupied that position?

Mr. NORTON. About one year. Prior to that I was vice president of the First National Bank, of New York, from 1911 on.

The CHAIRMAN. What positions with the Government have you held?

Mr. NORTON. In 1910 Secretary to the President (Mr. Taft, and in 1909-10 Assistant Secretary of the Treasury in charge of the fiscal bureaus.

The CHAIRMAN. Mr. Norton, this committee is considering the question of budgetary legislation and a large number of bills and resolutions have been referred to the committee. We are, however, examining into the principles upon which a sound and correct budget system should be established. Your connection with the Treasury and also with the office of the President, as well as your experience as a financier, must have given you some considerable opportunity to study those principles, and we will be very glad to have your views. If you desire to make a general statement with regard to the general principles, we would be very glad for you to make it.

Mr. NORTON. Mr. Chairman, I appreciate the courtesy of this invitation to come here very much indeed, and also your invitation to make a general statement. I feel a little like a ghost come back to life to be again in this Appropriations Committee room where in other days James Tawney, Walter I. Smith, Mr. Fitzgerald, and Mr. Burleson, and many others who are not here now were in command. men who were intensely interested in budget reform during Mr. Taft's time.

As I look back our efforts seem crude and ineffective, but still with the active aid of the Appropriations Committee we did make an honest effort to find a way to get control of expenditures in the Treasury Department, and, at least, to analyze the proposed expenditures of the other departments. The estimates were a mass of data compiled, without logical relation to each other, by a group of indi-

vidual bureau chiefs, all of them sincere and honest, but each with a natural desire to build up his own bureau without regards to the needs of government as a whole. President Taft was intensely interested in economy and efficiency in government and in the problem of administration as such, just as he had been in the Philippines. He asked me to organize what we called the Commission on Economy and Efficiency. The Appropriations Committee encouraged the movement by granting \$25,000 to start with and later a much larger sum. We made a start in the direction of trying to get a basis for information which would give the Chief Executive something like control over expenditures in the departments for which he was personally responsible to the American people. The following year the estimates were submitted in budget form for the first time in our history.

The reports of President Taft's commission are invaluable landmarks in the progress of budget reform. You are familiar with them, and also with the good work of Gov. Lowden in Illinois and of Gov. Milliken in Maine. After the Commission on Economy and Efficiency was abolished we organized the Institute of Government Research here in Washington. President Lowell was our first chairman and later Mr. Robert S. Brookings. The institute has done quiet, effective work, cooperating with everyone interested in the reform, under the modest but very able leadership of Dr. Willoughby.

The department of finance, developed in the War Department during this war, and directed by Gen. H. M. Lord, has done remarkable work in the direction of the best budget practice, just as years earlier in that same department, Judge Warwick developed under Gen. Goethals in the Canal Zone a most business-like system. As the result of that success Judge Warwick was invited by President Taft to come to Washington and take a place on the Commission on Economy and Efficiency.

Slow but steady progress in the general direction of budget reform has been made, until now Congress, through this select committee on budget, has taken hold of the subject in this big and comprehensive way. It is timely—as we leave the war behind us we enter inevitably a period of unrest and unsettlement of labor, of business, and in Government. The creation of machinery for getting control of our National expenditures becomes a matter of great importance. The tactful and able way in which this committee approaches this problem gives greater promise of success than any previous effort. I am not competent to instruct you gentlemen on the principles of budget practice or of Government. You have access to more sources of information than I, and you have access daily to experts from whom I have gained the little I know about the subject. If there has been anything of interest to you in my experience in the Treasury or at the White House, I should be delighted to answer questions. You have prepared an admirable bill, not too ambitious a bill, but a moderate bill and all it is wise to attempt now.

If Congress passes your bill, it will, in my judgment, take the most important step that has ever been taken to bring into the Government service the true spirit of service which means economy and efficiency—the spirit that we like to see in a business corporation and without which a business corporation does not prosper and pay divi-

dends. You will have taken the first step in the direction of placing responsibility for results where it belongs, squarely up to the Executive, reserving to yourselves the right to appropriate and later to criticize, to analyze, and to prohibit any practices which you regard as dangerous to the public interest. If this bill passes, every man and woman in the Government service can hold his or her head a bit higher. They will "belong" to their administration. The greatest menace to economy and efficiency in Government is the lack of the right spirit in the public servant. He has not been treated like a man; his authority and responsibility has not been clearly defined. He has been treated like a child, and on occasion he has acted like a spoiled child, demanding more than he needed or expected to make certain of getting enough.

The CHAIRMAN. Mr. Norton, do you think that the budget plan should fix the responsibility for initiating the budget with the Executive?

Mr. NORTON. I certainly do. Otherwise, how will you ever get a basis for holding him responsible for results?

The CHAIRMAN. Your experience in a position close to the President's office, such as you had with President Taft, would enable you to give us some information as to whether or not, with the proper machinery, the Chief Executive would have the time to give to that very important function, or whether or not, in all probability, if given the power and made responsible for the budget, he would have the power to function in any intelligent way with regard to those numerous details involved in appropriations.

Mr. NORTON. He would have the time.

The CHAIRMAN. He would have the time?

Mr. NORTON. If he did not take the time so to organize his office that he and his assistants could properly do this work, he could not be from the administrative point of view a real President.

The CHAIRMAN. Of course, I assumed in my question that he would be given all the machinery, so far as technical men and a corps of able assistants to prepare the budget is concerned, but my question was whether or not the President could really assume the big responsibility that would be thrown upon him and carry it out in an intelligent way.

Mr. NORTON. He certainly could do so if he organized his personal staff properly. The president of a great railroad or a telephone company has an enormous number of interests, just as the President of the United States has. He must deal with legislators and with public sentiment; he is concerned in crop development, with groups of farmers, of business men; and he must operate his road. He has assistants, operating managers, traffic managers, lawyers, engineers. If you think of the President as the general manager of public business, who delegates to department heads the conduct of public business, you must enable him to provide himself with a personal staff of highest competence, particularly skilled to handle matters of business administration. The fact is, every department head should have a similar staff.

The CHAIRMAN. We have had a number of gentlemen before us, some of them advocating that the President should employ the office of Secretary of the Treasury for collecting the data and making up the budget for submission to him. On the other hand, it has been

suggested that the Secretary of the Treasury, under whose department more persons are employed than in any other civil establishment, has a great many activities to supervise, and that the President should have an independent bureau of his own creation, with a director of his own selection at the head to formulate the budget. What would you say with regard to those two views?

Mr. NORTON. I favor the latter view. The Secretary of the Treasury is not the senior member of the Cabinet. Human nature being what it is, I think the budget should be finally assembled in the President's own office.

Mr. GARNER. Mr. Norton, if you will permit me to say it, I think you could give better testimony before this committee than any man in the country on account of the position you held under Mr. Taft's administration. Now, I want to ask you whether your effort was a failure?

Mr. NORTON. I think not. The fact that we made the effort, and that a record of that effort exists, is a great gain.

Mr. GARNER. What I think would be a real contribution to the committee would be a statement showing the benefit that was derived from your efforts in Mr. Taft's administration. It may be that there is sufficient law now, and I would like to know whether or not you were handicapped by any lack of law. So far as I can see, the President can, if he sees proper, control the administration of his Cabinet officers. Under the present law, he has full control of his Cabinet, and controlling them as he does, it seems to me he should make the issue of economy with them in his administration.

Mr. NORTON. Any President who is keenly interested in the business administration of this Government can accomplish much. Mr. Taft, I think, did, if I may be allowed to say it without partisanship, and it is not said at all in a partisan spirit, I assure you. He did arouse in his Cabinet and in their subordinates a very genuine interest in and zeal for economy. If this bill which you have prepared were enacted into law, it would be infinitely easier for a President to accomplish this result.

Mr. GARNER. What I am trying to direct your attention to is this: I admit that Mr. Taft did make an effort that no other President within my knowledge ever made toward economy in the administration of the Government. Yet the administration of Mr. Taft asked for more money than Congress gave. Notwithstanding that, the whole hue and cry in this country is to the effect that Congress is an extravagant body, or that it is the legislative branch of the Government that is doing all of this extravagant work. Now, I want to direct your attention to the fact that event at the time you were making this effort of which you speak you asked for more money than Congress was willing to give. How will you remedy that situation? How can you make that an issue before the people, so that throughout each congressional district a man must defend his course specifically and answer whether he appropriated more money, or voted to appropriate more money than the administration asked? If you were to go into a congressional district and go before the people and say that the member was too extravagant in voting money, he could reply, "I did not vote for anything like as much money as the President asked for."



Now suppose he is my President and there is another man opposing me on the issue of economy in the district. If he could say that Congress appropriated more money than the Executive asked, then my opponent would have an advantage over me, because he would be on the side of the President who asked for less than was appropriated. If the President was popular in the congressional district, he would have the advantage. It seems to me that if some scheme could be brought about whereby the Executive would have to initiate economy in the Government, you might bring about a situation in the United States where we could get real economy.

Mr. NORTON. Did you say the Executive?

Mr. GARNER. Yes; the Executive in the first instance would initiate the economy, but now, under the system that has been in vogue for 50 years, the Executive has asked for everything and Congress has cut it down. In nine cases out of ten Congress gives less money than the Executive asks for.

Mr. TEMPLE. Would he also be the initiator of new services or proposals for new expenditures?

Mr. GARNER. To come from the Executive?

Mr. TEMPLE. Yes. It might also come from Congress.

Mr. NORTON. Your bill, as I read it, places upon the Executive the responsibility of bringing forward proposals for financial legislation in an orderly way. They should be brought forward in such a way that they can be analyzed by your constituents so that the responsibility can be located, just as it is in business.

Mr. KITCHIN. You had as Secretary to the President and as Assistant Secretary of the Treasury considerable experience in these matters, and you had considerable experience in testifying before the Appropriations Committee: Now, was it your observation that Congress had a trend toward larger or smaller appropriations than the executive or the departments—that is, which was demanding larger appropriations, the executive through the departments or Congress?

Mr. NORTON. Mr. Kitchin, I think there has developed as a result of years of experience under the old system a kind of game of bluff between the bureau chiefs and the Appropriations Committee of Congress. The bureau chief comes up here knowing that he is going to be cut down. Therefore, he submits estimates in excess of his requirements, expecting to be cut, and he is cut.

Mr. KITCHIN. Why did he expect to be cut? Was it because he knew that Congress was disposed to be economical?

Mr. NORTON. Neither the committee nor the bureau chief really get down to its merits of the bureau in question; they have no way of testing its real relation to all of the other bureaus also demanding funds.

Mr. KITCHIN. My question was which trended to larger appropriations, the executive and the departments or Congress, in your experience?

Mr. NORTON. The bureau chief asked; the Congressmen refused. On both sides of this ancient game of blind man's buff were sincere people who wanted to do the best they could by the Government.

The tendency almost invariably was for the congressional committee to question and endeavor to reduce the appropriation.

Mr. KITCHIN. The fact is that under Mr. Taft's administration, however much he personally tried to economize, and I think he did,

Congress even reduced the appropriations about seventy-five million dollars below his or his departments' estimates.

Mr. NORTON. You will discover in the Congressional Record, public statements made by Mr. Mann and Mr. Tawney, on the floor of the House, to the effect that they were convinced we had submitted estimates only after a very sincere and business-like effort to really get at the merits with our bureau chiefs.

Mr. KITCHIN. And even then Congress reduced them.

Mr. NORTON. No, sir; I think you will find that they did not in that particular year.

Mr. KITCHIN. I am talking about during the entire term of his administration.

Mr. NORTON. I can not say. I think you will discover that in our second year the tendency to heckle and to cut simply for the sake of cutting was lessened, which indicates to me that both sides were trusting each other and both wished to lower the appropriations to the best of their ability down to the limit of the requirements of good-business administration. It is years since I examined figures, but I remember that we were astonished and gratified at the expressions of Mr. Mann and Mr. Tawney in their speeches on the floor of the House.

Mr. TEMPLE. That was for the year beginning July 1, 1910?

The CHAIRMAN. For the fiscal years 1911 to 1914, inclusive, as I recall, the appropriations were about \$75,000,000 less than the estimates. The first estimates made under President Taft's administration were for the fiscal year 1911.

Mr. KITCHIN. Now, we want to get the record straight. Mr. Taft's administration desired to cut down the appropriations and really to have an economy program; but did they not intentionally at that time cut down the estimates, knowing that they would have to provide for deficiencies later, and did they not do that in order to make a showing of economy, and does not the record show many deficiencies on that account?

Mr. NORTON. That was after my time. I retired in 1911, and I have no knowledge of those figures.

Mr. KITCHIN. I call your attention to the speech made by Mr. Fitzgerald, chairman of the Appropriations Committee, on August 22, 1912, page 5 of the Daily Record, in which he stated that in order to show up that apparent policy of economy word had been sent around to the different bureau chiefs in the departments to cut their estimates, and that, accordingly, the estimates were cut, but afterwards it appeared from the examination of some of the department chiefs before the Appropriations Committee that they knew that those estimates would not take care of the real actual needs of the departments, and, of course, they had to ask for deficiencies.

This appears very clearly in Mr. Fitzgerald's speech to which I allude, and I would like to put this speech in the record, or a part of it. He produces here the evidence that for that fiscal year 1912 they estimated in order to make a showing of economy, knowing at the same time that they would have to come back and ask for other appropriations. When you left, I want to state that they did not keep up the economy program, because for the last year of President Taft's administration they asked for \$51,000,000 more than Congress saw fit to grant. The reason I ask that question is because

you were here on the spot and had experience both with the Appropriation Committees and Congress, and I ask that in order to call attention to those muckraking newspaper and magazine writers who try to discredit Congress in every way they can. They undertake to throw the entire responsibility for extravagance and for large appropriations upon Congress, while we who are here and are familiar with the facts know that Congress has been the economical branch of the Government, and know that there has always been a contest between the Executive and the departments under all administrations, Democratic as well as Republican, and Congress on that subject, the administration desiring more appropriations and Congress desiring to reduce them, as Congress has actually done in every administration. It was shown here the other day by the record that in the last 20 years Congress had reduced the appropriations from the demands and estimates of the administrations more than half a billion dollars, and that does not include estimates for the projects that the administrations have asked Congress to adopt, which would involve many millions of dollars more, but which Congress declined to adopt.

As an illustration, I mentioned the other day the Lane or Mondell bill, providing for the reclamation of cut-over and swamp lands for the soldiers. I was informed that Mr. Lane testified before the Rules Committee of the House last session that in order to carry out properly the whole project, if we should carry it out like some other countries that had adopted a somewhat similar policy, the cost would be something like four or five billion dollars. The President in his message asked that Congress pass such a bill, and a great propaganda has been presented throughout the country for the adoption of it. The last Congress did not see fit to adopt the demand of the administration and Interior Department in that regard, and so far, although we have been in session several months, Congress has not seen fit to adopt it at this session, and I do not believe it will. Therefore, when you take the facts as they are, instead of all this so-called extravagance that the muckrakers attribute to Congress, it will appear that Congress has been the economical branch of the Government and that the Executive or administration has been tending constantly toward larger and more extravagant appropriations.

Mr. NORTON. I concur in very much of what you say. I never knew a more sincerely zealous body of men in the matter of reducing the expenses of the Government and appropriations than members of the Appropriations Committee. Mr. Tawney, when he was chairman of the committee, was very active, and Mr. Fitzgerald was a very eager economist and a very sincere one, in my judgment.

Mr. KITCHIN. We agree with you as to both of them. That was true of the Appropriations Committee at that time and it is true of it now.

Mr. NORTON. I should be sorry to find myself as having introduced any thought of partisanship, or to find myself in a debate with this redoubtable debater. You are clearing the way with this Good bill. You are taking now a step which will do away with such recriminations in the future. It will never stop debate on public expenditures, but it will, so to speak, take the boards off the windows so that you can look in and get the facts. You can base your judgment

and future debates upon the facts. I am very much impressed with the facts that a select committee of Congress has reached this point, and I am hopeful of the results.

Mr. KITCHIN. The reason I asked the question was that you had been on the spot and had had experience with Congress and its committees, and had seen how they worked. I wanted to refute this muck-raking propaganda by statements by you from your own experience. For instance, here is the New York World which came out the other day in an editorial lambasting Mr. Good because he took the position you are taking and that I am taking, and that Democrats and Republicans on this committee are taking, and that is that the real responsibility for those large appropriations, or larger appropriations than are necessary, has been with the administration. Mr. Good took the position that that was where the economy program should start. Nine dollars out of every ten dollars appropriated is appropriated upon estimates and demands coming from the executive departments, and, therefore, the economy program should begin there. This muckraker took Mr. Good to task for that, and said he was simply trying to shift the responsibility upon the Executive and the departments, but that everybody knew that the total responsibility was upon Congress and not upon the Executive and the departments. Of course this muckraker didn't care for the facts, and I think that in justice to Congress the real facts should be stated. We know that if Mr. Wilson and his departments were to demand moneys with which to run the Government, and all of those estimates are demands for money, and if the committees and Congress should refuse to give it to them, then the same muck-raking paper would come out with the statement that Mr. Good and his committee and Congress were trying to handicap the President by refusing to furnish money to run the Government, and that they were really trying to break up the Government, by refusing to give money to the President to support it. It would denounce them as anarchists.

When the committee and Congress voted to cut, as I recall, the amount of money that the Railroad Administration demanded, I think the New York World was one of the papers that jumped on the committee and Congress for not giving the administration what it wanted. As I have said, I believe that real economy and saving to the people and the taxpayers of the country is a matter largely in the hands of the Executive and the administration. If the President of any party has a good working majority of his party in Congress and if he is going to be extravagant and demand large appropriations and projects that will take large and extravagant appropriations, he will be mighty apt to have a large majority of his party with him in the matter of such extravagant appropriations. It makes no difference what party is in power, if the President and his Cabinet insist upon large appropriations, they are mighty apt to have a large majority behind them in favor of such appropriations. But even in the face of the demands of the Executive and his departments and their influence, under both Republican and Democratic administrations, Congress has to some extent at least stood firm for economy and often reduced the appropriations. I think all of us agree that we should specifically fix the responsibility of initiating the budget by law in the President, where it belongs. He runs and manages the machinery of the Government's activities

der the law. He should know and tell Congress how much money it requires for such machinery. Then let Congress or the committee investigate and see whether or not he has asked for too much, and give him the amount, in its judgment, he should have.

Mr. TINKHAM. Is not all the trouble under the present system due to the fact that responsibility is not fixed, and does not the budget system fix the responsibility? To-day you have the Executive making recommendations feeling that Congress may or may not allow them, and with Congress feeling that it is not responsible because the recommendations are made by the Executive through heads of departments who are not responsible, and each of whom has a separate financial policy, so to speak, no one having responsibility fixed upon him. Is not that the real reason for these recriminations and a great deal of the extravagance, and would not the budget system absolutely fix responsibility.

Mr. NORTON. I think you are right. Responsibility is much scattered under the old system which you are about to remedy.

In a good business organization there is a head, and he has his plans. The plans are understood, and the men who are charged with the responsibility for executing them are given authority exactly equal to that responsibility. They are consulted by the head of the corporation, so that their power of initiative is developed. They are encouraged to help make good plans. Then clear, understandable record of their activities is made, so that one can judge of their success. Under this scheme of things properly carried out every clerk feels that he is a part of that program; he is helping; he "belongs"; he is a man.

He used to feel in the old days here that it was a kind of a warfare without a general; it was not a coordinated affair, in which our responsibility was clear and where if we did well we could hold up our heads and feel that we were good servants of the Government. Your bill tends to change that situation, and that is what I think is more important than anything else in your bill.

Mr. TINKHAM. Fixing the responsibility?

Mr. NORTON. Yes, sir.

Mr. TINKHAM. Locating it.

Mr. NORTON. Yes.

Mr. BYRNS. As I understand the point of your criticism, it is not that the Executive has not the full power, but that there is no law directly fixing the responsibility for the thing; so that you—

Mr. NORTON (interposing). It would be a mistake for me to say that the Executive has or has not full power, because I am not a lawyer. You can get a better answer from others in this room than I could make to that legal question.

Mr. BYRNS. He has the power now, and can insist upon the heads of departments or Cabinet officers going over these estimates and pruning them down to the lowest possible point consistent with good service.

Mr. KITCHIN. I do not want it to appear here or elsewhere that I exonerate Congress from extravagance in some instances. Congress is criticizable in cases like this: When rural and letter carriers demand an increase in pay and anybody introduces a bill, whether it carries \$5,000,000, or \$10,000,000, or \$40,000,000, and that goes to a vote on the floor of the House or on the floor of the Senate, it is



mighty apt to carry, not that the Members really believe that such an appropriation ought to be passed in such large amounts, but it really—well, it is lack of nerve. Some Members fear politically the rural and letter carriers “back home” if they vote against their “demands.”

Congress does not show enough nerve in my opinion sometimes in the matter of public buildings. Tom, Dick, and Harry each will want to get a public building in his district and they will go “into cahoots” and report out and vote for an omnibus public building bill much larger than the necessities require; but the lack of nerve is not altogether on Congress. I do not recall any President that has had the nerve to veto a bill increasing the pay of rural or letter carriers or for other Government employees, or a public building, or river and harbor bill.

Now, there will be another proposition on which Congress will not show the proper nerve, I am sure. Whenever they get to a vote on one of these bonus bills for the good, strong, and healthy soldiers, those who escaped injury during the war—three or four million of them, Congress, I fear, is not going to have the courage to show much regard for proper economy. Nor will a President who has the power of veto.

Mr. NORTON. There is one technical point, I do not recollect whether it was you, Mr. Kitchin, who raised it, this budget committee—is that what you call it in the President’s office?

Mr. TEMPLE. The bureau of the budget.

Mr. NORTON. The bureau of the budget; there was a question whether that would create an impossible situation with reference to the President and his Cabinet. It seems to me that the President would need in his staff some one who would be an executive manager, so to speak. And in the same way each Cabinet officer might well have what I have so often heard them plead for, either an undersecretary or administrative secretary, whatever he might be called, a sort of business aid to each Secretary with whom the President’s budget staff could confer directly. Then the budget staff would not be put in a position of spying upon Cabinet officers, but there would be created a group of associates, partners, if you please, whose particular duty was that of analysis and balancing the various projects of the administration.

Mr. KITCHIN. There is some merit in that suggestion.

Mr. GARNER. Would you have those gentlemen permanent?

Mr. NORTON. I would have the positions permanent.

Mr. GARNER. I was going to say without being permanent they would amount to nothing from one administration to another.

Mr. NORTON. Yes; certainly; selected for their technical ability in that particular field.

Mr. TEMPLE. Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly.

Mr. TEMPLE. Mr. Norton, you spoke a while ago about the tendency in former times, which we know still exists, of bureau chiefs to overestimate the necessity and thereby anticipate the cut which they expect. I think there is a great deal of truth in that point of view, but isn’t it also true that a bureau chief, who is fit to hold his place, will be desirous of expanding the activities of his service?

Mr. NORTON. Yes, sir.

Mr. TEMPLE. And it isn't all bluff?

Mr. NORTON. Oh, no.

Mr. TEMPLE. If he can see some good that he can do and some reason why he should do it.

Mr. NORTON. A real fellow wants to expand.

Mr. TEMPLE. And he asks again for more than he thinks he will need for the old project?

Mr. NORTON. Yes; so many of the projects of the Government are humanitarian, the Public Health Service, for instance, and men become enthusiastic in their work.

Mr. TEMPLE. I think sometimes we are too prone to magnify the weaknesses of the men holding these positions, when they are not to be blamed?

Mr. NORTON. Exactly so.

Mr. GARNER. Mr. Norton, would you have the business manager, or whatever you term him, go out with the President each time that the administration changes?

Mr. NORTON. I think my answer to that would be yes.

Mr. GARNER. Because he must in a way reflect the policy of the President with reference to appropriations?

Mr. NORTON. Yes; and if a man takes the presidency of a railroad or a great institution he must have as his aids in the higher offices men that he can work well with. But I think, however, that it might be fair to describe the qualities which the individual who is to hold the office should have, because unless that man in the White House office and the men in each department are experts in administration and are interested in administration you won't get results.

Mr. GARNER. You would make the salary the equal of that of the Cabinet officers?

Mr. NORTON. No; I would not make it equal to a Cabinet officer.

Mr. GARNER. \$12,000?

Mr. NORTON. No; I would not make it equal to the Cabinet officers. You will give the same amount to men of the same rank in each of the departments. Salaries are more or less a badge of the importance of the post.

Mr. GARNER. You would then have an assistant secretary in each one of the departments whose prime purpose would be to look after the business end of his department?

Mr. NORTON. I would.

Mr. GARNER. And that individual would be permanent, so far as the law could make him?

Mr. NORTON. I think you must give some latitude to the Cabinet officer, because he must have in that office a man with whom he can work, but I certainly would go far in describing the kind of person to whom that salary was to be paid when giving the Cabinet officer the right to select the man.

Mr. PURNELL. Mr. Norton, you think that should be one man, rather than a board, don't you? Some suggestions have been made——

Mr. NORTON (interposing). You mean a board in each department or a board in the White House?

Mr. PURNELL. I mean a board in charge of the budget bureau, an individual rather than a board; that is to say, one man rather than three or five or two?

Mr. NORTON. I should be inclined to think one man.

Mr. PURNELL. I agree with you absolutely; I want to follow that a little further.

Mr. NORTON. He might be required to have assistants or associates.

Mr. PURNELL. Yes; but I wanted your opinion on that. In your opinion it should be one man and changing with the administration, because there should be harmony between the two, especially as respects policies. But now, don't you think that the men under the chiefs ought to be experts who do not change with the administration?

Mr. NORTON. Yes; I do.

Mr. PURNELL. And who can bring to the work year after year the benefit of their experience and nonpartisanship with the sole desire to give the best they have in them to the Government?

Mr. NORTON. I certainly do, and I want to be frank and say that upon further reflection I might want to change my answer with respect to the permanence of the men at the top. But my impression is to-day that I would give the President the right to appoint his man, but I would describe, in fixing his salary, the kind of man that was expected to hold that post.

Mr. TEMPLE. Is it not possible that a different type of man would be necessary; in order to fix policy a wide and broad intelligence is necessary; but a man may be a trained expert who knows how to do a thing when the man who fixed the policy tells him what to do?

Mr. NORTON. Yes.

Mr. TEMPLE. Now, a trained expert is not always a man of good judgment.

Mr. NORTON. That is true, unfortunately.

Mr. TEMPLE. And the man who fixed the policies may not be an expert; he may be a man of good judgment, and able to fix policies, but not know how to do it.

Mr. NORTON. Yes, sir.

Mr. GARNER. When you went to write out a law you would have difficulty unless you put it in general terms.

Mr. NORTON. Oh, very general. What I would aim at in a general way is the type——

Mr. GARNER (interposing). The type of man Congress thought he ought to get?

Mr. NORTON. Yes; the type of man the job requires.

Mr. BYRNS. Naturally the President would be anxious to get such a man?

Mr. PURNELL. And following that a little further the fact that the principal thing here is for his own responsibility, you would not want the President to have his hands tied?

Mr. NORTON. Oh, no.

Mr. PURNELL. By any man who purposely or for any other reason might disagree with his policy, and thus permit the President to say that he would have done certain things had he not had his hands tied?

Mr. NORTON. Yes; that is true.

The CHAIRMAN. Mr. Norton, since you were here as Secretary to President Taft, by law we have created an agency known as the Bureau of Efficiency. The director of that bureau is appointed by the President, and his appointment is not confirmed by the Senate. The President appointed Mr. Brown, who used to be con-

nected with the Bureau of Economy and Efficiency, and I believe Mr. Herbert Wood was also connected with that establishment. Since you have suggested this I wondered whether this agency, which has quite a large force of people and experts at all times at the command of the President, could perform that service in the various departments?

Mr. NORTON. Do you mean in the various departments or in the White House?

The CHAIRMAN. In the various departments. They are working at all times in the departments where the President directs or where the Congress by law directs.

Mr. NORTON. I am not prepared to answer your question, Mr. Chairman. I do not know about that bureau, and I do not think I could make a helpful answer on that.

The CHAIRMAN. You are familiar with the provisions of the act of March 4, 1909, known as the Smith amendment, which required the submission of a Book of Estimates to the President at the same time the Secretary of the Treasury transmits them to Congress, and the question has arisen whether or not under that provision the President has not now, and has not had since the enactment of that law, the power to revise those estimates, and if they are too much to inform Congress where they could be reduced and also to inform Congress how the necessary revenues should be raised. Isn't this true, that while Congress provides by special legislation that the various executive departments shall on or before the 15th day of October of each year prepare for inclusion in the Book of Estimates an estimate of the expenses of each department, and then provides that when the Secretary of the Treasury shall have arranged them in the Book of Estimates for submission to Congress on the first day of the Congress, and at the same time transmit a copy to the President, that there is not time enough left then for the President, even if he had the machinery, to sit as a court of review, as it were, and undo a great deal that has been done. Should we not reverse that order entirely, making the estimates originate in the first instance with the President and make him absolutely responsible for them and give him the machinery so that in the first instance he can intelligently be advised of the requests that are made.

Mr. NORTON. Absolutely; yes. You must do that to get the results that you are aiming at. Place the responsibility and the authority with the President.

The CHAIRMAN. Is there anything else on this question of the making of the budget?

Mr. CAMPBELL. Finally the responsibility shifts, however, does it not, Mr. Norton?

Mr. NORTON. Shifts?

Mr. CAMPBELL. Yes.

Mr. NORTON. Yes, sir.

Mr. CAMPBELL. I have seen estimates come in here from the Executive for a single item asking for \$300,000 more for a particular work than Congress would be willing to give. The fight on that item delayed the appropriation bill for some days, and I think the fact that Congress followed the chairman of the committee on appropriations, Mr. Tawney, rather than the request from the Executive for \$300,000 more than the chairman or the Committee on Appropriations was

willing to appropriate, the House followed the Committee on Appropriations, and the chairman was defeated at the next election; that the responsibility shifted from the White House and the people of the country stood by the Executive for the larger appropriation.

Mr. GARNER. That is what I called his attention to a while ago.

Mr. NORTON. Now, what is your point?

Mr. CAMPBELL. Of what value is it to fix the appropriation originally on the Executive?

Mr. NORTON. Well, it seems to me you rather prove the value because—

Mr. CAMPBELL (interposing). Well, that is merely one; they occur in almost every Congress.

Mr. NORTON. Yes; you do give the President the right to bring forward his program.

Mr. CAMPBELL. Yes; he has that now.

Mr. NORTON. The Appropriations Committee collides with him and the chairman later discovers that the country was with the President.

Mr. CAMPBELL. Yes; but the Congress has done what political economists and writers on the budget system says Congress has never done; tried to economize, to save; the responsibility for the large appropriation is on the President, and the country stands by the President.

Mr. NORTON. Oh, I see. It is all wrong to say that Congress never tries to economize. Of course, in government, you go back to the people, and we know their decisions are recorded in a rough-and-tumble way. This is a very large subject; it is almost impossible to discuss it without getting off into by-paths.

But I wish to leave this as the crux of my testimony: Until you adopt such a bill as is now coming out of your committee; until Congress adopts such a bill you will not get efficiency and economy in government. It can not be done under existing procedure.

Mr. CAMPBELL. I wish I could be sure that even this bill would result in economy; I wish we could be sure that the President would not insist upon appropriations that the Congress was not willing to give, because Congress was determined upon a policy of economy.

Mr. NORTON. Well, that is the give and take of the game, but the machinery that you are creating makes it possible for an intelligent man to understand something of what the Government plans are; makes it possible to criticize Government estimates; makes it possible to review results, analyze costs, and commend or attack those responsible therefor. And I want to congratulate you on your efforts; I am perfectly delighted with them.

Mr. CAMPBELL. If we could fix the responsibility and be satisfied with that on the Executive and then make no changes in the appropriation bill, I doubt if Congress would be performing the functions for which it was created, because it must originate appropriation bills under the Constitution; we can only have the suggestion of the President, after all.

Mr. TEMPLE. In the days when this Government developed to the point of its crystallization in a Constitution, the principal issues had been between the King and the people, and there had grown up the idea of the separate branches—executive, legislative, and judicial—entirely separate. Since that time in the rest of the world there has grown up party responsibility. Now, here we are attempting



follow the old scheme and divide between the executive and legislative branches of the Government, when the whole tendency of the world has been toward party government, and the responsibility on the party in power. In England, for example, the executive leaders—that is, I mean the cabinet, or heads of the departments—are also the parliamentary leaders, and the minute they cease to be the leaders of the majority in Parliament, they cease to be executive officers, and there is no possibility of conflict between the executive and the legislative; but we are facing an entirely different situation, because we are laboring under the old situation of division between executive and legislative. If we could only find a way to have the majority in Congress always of the President's party, and fix responsibility on the party, we would get a condition more in harmony with the times.

Mr. NORTON. This bill enables you to fix responsibility.

Mr. TEMPLE. Yes; but between the executive and legislative, the responsibility lies on Congress; no matter where we try to place it, the responsibility lies on the Congress. If the President proposes what the public does not want, and Congress does not give it to him, the public will take it out on the Congress.

Mr. NORTON. Yes; and later, occasionally, on the President.

Mr. TEMPLE. But if you can not fix the consequences of responsibility, when you fix responsibility you are up against trouble.

Mr. NORTON. At the present time the responsibility is diffused in such a way that it is not easy to correct the evils which arise.

Mr. TEMPLE. This system will go a long ways to better that?

Mr. NORTON. There is no doubt about that.

In regard to the statement that you made, Mr. Campbell, that Congress must originate fiscal legislation, of course Congress must have and always will have the power of the purse; and that is what you had in your mind?

Mr. CAMPBELL. Yes.

Mr. NORTON. As a matter of fact, I think these experts will tell you that the oldest standing rule in the British House of Commons is that a member, and that the House of Commons itself, may not originate any financial legislation whatsoever; on the contrary, all financial legislation must originate with the executive officer who is to be charged with the responsibility of the expenditure.

Mr. CAMPBELL. With the prime ministers?

Mr. NORTON. With the chancellor of the exchequer and the ministry. In other words, for 150 years—it is the oldest standing rule in the House of Commons—they have gone so far as to divest themselves of the power to initiate financial legislation in the interests of good administration, and that rule is, in my opinion, the basic reason and explanation of the success of the British in public administration.

Mr. TEMPLE. Haven't the powers been practically taken over from the prime minister and the throne to the majority leaders in Parliament? That is to say, that the Parliament has assumed the duties of the executive bureaus, and what used to be the powers of the Crown have been assumed by the party in power.

Mr. NORTON. I take it that you mean it would be better if the members of the Cabinet were made Members of Congress!

Mr. TEMPLE. I can see where it would be an advantage to have them at times on the floor of the House.

Mr. PURNELL. Mr. Norton, remembering that we are the direct representatives of the people and responsible to them and chargeable by them, how far would you permit Congress to go by way of amendment, reduction, or increase of the estimates as finally agreed upon by the executive branch of the Government?

Mr. NORTON. Why, I would give Congress absolute authority in the matter, of course.

Mr. PURNELL. Would you insist on an amendment under the rules on the floor of the House?

Mr. NORTON. I do not know the rules; they change, and I have been away for 10 years.

Mr. PURNELL. By an amendment on the floor of the House?

Mr. NORTON. Please get that testimony from some one other than myself, because I am not familiar at all with your general procedure and rules.

Mr. PURNELL. As a general proposition——

Mr. NORTON (interposing). As a general proposition the House must and will retain unreserved control of appropriations which should be initiated and submitted by the executives who are to carry the projects out. That is my idea on this budget, whether I am right or wrong; I do not pretend to be an expert, gentlemen. It is the way it is done in business generally. The board of directors has the final vote. There is not a single business corporation that I have observed closely that is not run along the lines of the Good bill prepared by your committee.

Mr. TEMPLE. Do you know of any business organization that has three heads?

Mr. NORTON. Successful?

Mr. TEMPLE. Yes.

Mr. NORTON. No.

Mr. TEMPLE. In this country we have to have the three branches—the executive, the Congress, the legislative for the passage of bills, and the judicial. After the Congress has passed the bill, the President may veto; if the President signs and approves the bill, the Supreme Court may veto it.

Mr. NORTON. I know of many businesses where the executive, after he has made a given plan, is content to abide by the judgment of his board, even if it is negatived or partially negatived, or is content to abide by the advice of his counsel, without feeling that his usefulness has been impaired. No man will fight against the advice of his lawyer.

Mr. TEMPLE. The Congress is not responsible for the acts of the President or of the Supreme Court. The corporation may get rid of its attorney, or it may get rid of its general manager.

Mr. NORTON. The time element is there; we do get rid of our Presidents occasionally at the expiration of terms.

Mr. TEMPLE. Oh, yes.

The CHAIRMAN. On closer analysis of Dr. Temple's questions as to the three heads of a business organization, isn't, after all, every business organization controlled by three heads—first, the president makes an estimate of a budget; the board of directors then assumes responsibility of approving, as you have well expressed it, approving

it either in part or all; and after all the determination rests with its legal aspects as defined by the general counsel of the organization, if he says, "You can not do this thing as suggested by the president and board of directors"; isn't it all tempered by the legal aspect?

Mr. NORTON. Yes, sir.

The CHAIRMAN. So don't we take into consideration the estimate of the President and then the consideration of the board of directors and tempered by the legal aspect?

Mr. NORTON. Yes, sir.

Mr. TEMPLE. Yes; but in our case the legal advice represented by the Supreme Court does not tell us we can not do it until after we have done it.

Mr. NORTON. Yes; it would be convenient and a saving of time if Congress could informally consult the court as the president of a corporation can consult the general counsel. But it is merely a matter of some loss of time.

Mr. TEMPLE. I am merely attempting to bring out some of the problems of this situation.

Mr. GARNER. Mr. Norton, do you care to make a statement as to the advisability of the President submitting an estimate and at the time he submits it making a statement also with reference to the revenue by which that is to be met?

Mr. NORTON. You tell me, isn't the President required under the law to suggest the sources of revenue?

Mr. GARNER. He is required under the law——

Mr. NORTON (interposing). I am not a competent witness on matters of law.

Mr. GARNER. Suppose in the preparation of his budget the President asks for \$4,000,000,000 and the estimated revenue is only \$3,000,000,000; now should not some duty devolve on the President, when he asks for that tremendous amount of money, to advise some steps by which it can be raised?

Mr. NORTON. He certainly would be in a business corporation.

Mr. GARNER. Now, shouldn't we require him to say at the same time what his suggestions are as to the method by which we can get the money?

Mr. NORTON. If that is not already in the organic law.

Mr. TINKHAM. It is one of the elements of a budget system that he should suggest.

Mr. NORTON. You gentlemen can get more competent witnesses than I am to advise you about that law point.

Mr. GARNER. As a business proposition——

Mr. NORTON (interposing). Yes.

Mr. GARNER (continuing). If you are sending to the board of directors and saying that you need so much money, it is outlined to them how to get the money; and if the President asks for the money, I think he should, when he asks for the money, suggest the methods by which, if he asks for \$4,000,000,000 and there is \$3,000,000,000 in sight, I think he should suggest the method by which we can get the money. I think the President should take the responsibility at the same time that he asks for the money of suggesting the method by which we are to get it.

Mr. BYRNS. It could not be called a budget system if he did not do that.

Mr. NORTON. It is a perfectly reasonable contention.

THURSDAY, SEPTEMBER 25, 1919.

**STATEMENT OF MR. L. F. LOREE, PRESIDENT OF THE DELAWARE & HUDSON CO.**

Mr. GOOD. You are president of the Delaware & Hudson Co.?

Mr. LOREE. Yes, sir.

Mr. GOOD. You have given some study to our present system of making estimates for appropriations and making appropriations?

Mr. LOREE. Yes, sir.

Mr. GOOD. I suppose that your position also, as president of the Delaware & Hudson Co., has given you some pronounced ideas as to how to conduct the finances of a big railroad company?

Mr. LOREE. That and other companies that I have been connected with; yes, sir.

Mr. GOOD. We will be very glad if you will make a general statement to the committee with regard to the principles that ought to control the making of a national budget law.

Mr. LOREE. If the committee will bear with me, I had made my arrangements to go home on the 4.30 train; so that I will submit this statement which I have prepared and make some general remarks in regard to the subject.

Mr. GOOD. We will be very glad to have you do so.

Mr. LOREE. My thought on the subject is animated by a sentence from Judge Cooley in the preface to the first edition of his work on Taxation, in which he says:

As the benefits of republican government have been reached through the efforts of the people to establish and maintain the legitimate restraints upon the power of tax, it seems unwise in a high degree to slight or disregard any of the checks which the law has provided.

Least of all should the legislative branch suffer any diminution of its powers.

When our people came to adopt the Constitution it was at the end of an age-long struggle for liberty and they had a much keener sense, I think, than we have, of the sacrifices that had been made to obtain it and the value that it possessed; they were men who were close to that experience and had participated in it, and they were men of unusual ability, much above the general average. They undertook to preserve that liberty to us by formulating the Constitution, and in that Constitution they provided for a distinct separation of powers into the executive, who would conduct, the legislative, which would plan all the work for the Nation, and the judicial, which has the interpreting of the laws that the legislature might make.

To a very great extent it has seemed to me that the confusions and troubles into which we have come have been due to the departures that we have made from the original plan, and that our safety and comfort lie, whenever we face these conditions, in going back to the original plan and trying to square our conduct with that document.

In the railroad service we have a book of organization in which a clear understanding of the duties and responsibilities of the cooperating parts in the working of the organization are set out, and we

feel that it is very determinate of the discipline and of the morale of the officers and men who are in our employ. There is a constant endeavor to bring about smooth administration of properties by insuring that understanding, and it is from that point of view that I am considering this question. The basis of the budget system should, I feel, go back to the original practice of having appropriations placed under the Ways and Means Committee. That committee should provide itself with two boards—that is, first a permanent board, the function of which should be to make a continuous and comprehensive study of the sources of revenue, of the revenue laws and their application; their industrial, financial, and social results; the distribution of taxation, including its shifting and final incidence, and evasions of taxation, whether in violation of law or otherwise; and of a committee on audit, which would be in charge of an auditor general, under whom there would be a permanent staff, which should scrutinize the expenditures, not only in order to ascertain whether there has been conformity to the ratified budget, but should look into efficiency and economy in letting contracts for purchase of supplies, the construction of public works, and other matters involving expenditures.

Mr. MADDEN. Would that be considered a part of the legislative functions?

Mr. LOREE. I think so.

Mr. MADDEN. Looking after contracts and the letting of contracts?

Mr. LOREE. No; not the letting of contracts, but proper attention wherever the contract shows on its face that something invites inquiry.

Mr. MADDEN. So that you would have what we might properly term a committee on expenditures?

Mr. LOREE. Well, a committee on audit.

Mr. MADDEN. Yes.

Mr. LOREE. In case of irregularities, the committee should have power to refuse to sanction payments of money. The auditor general should be absolutely independent of the Treasury Department and of all executive control. Of course, there are four steps in the preparation of a budget system. There is the preparation of the budget, which, I think, should be made by the committee itself, based as now upon reports from the heads of departments; second, its ratification, which takes place after debate; and the question has been raised here as to amendments on the floor of the House. It has been over 200 years since the House of Commons adopted a rule that no budget bill should be amended on the floor increasing the amount appropriated. They only permit, there, reductions. But, of course, their committee is a committee of the Parliament itself, as would be the legislative bodies created by a committee.

Mr. MADDEN. The difference there, as distinguished from our system, is that the legislature has no connection with the executive.

Mr. LOREE. Yes; and in this case the legislature is the planner; so that in that sense it does differ.

Mr. HAWLEY. The reduction of one item might lead to a change in the ministry.

Mr. LOREE. Yes; it might lead to a change in the committee.

Mr. GOOD. But that plan would leave us about where we are in regard to our inability to prevent duplications in the service. We



have known of duplications in the service, but it has been difficult to determine from a legislative standpoint just which of the services should be eliminated.

**Mr. LOREE.** Is not that due to your lack of an audit? In the railroad business we depend very largely upon our auditor to keep us advised about things.

**Mr. GOOD.** It may be due somewhat to that. A few years ago Mr. Bryan and Mr. Redfield both appeared before the committee and asked for the establishment of commercial attachés. It was thought at that time by the manufacturing public that we were not expanding our influences to get foreign trade to the extent that we ought. The Secretary of Commerce desired to engage in that work. It was not long until we found there was a conflict between the State Department and the Department of Commerce, and we are now besieged, and have been for two or three years, with requests to turn over the commercial attachés to the State Department; and on the other hand, a determined opposition to that plan by the Department of Commerce. But in some measure, at least, the commercial attachés of the Department of Commerce and the commercial agents of the State Department are trailing each other and doing some duplication. It is a pretty difficult matter, without the executive functions and going into a more minute examination than a committee of Congress can go into, to determine the question now of just what ought to be done. I only speak of that because that is only illustrative of a condition that is bound to grow up in the service where you have men of strong personalities each trying to develop his own bureau and extending it until it overlaps and takes in the functions of another bureau.

**Mr. LOREE.** I think most of those things would be caught up by your bureau of audit.

**Mr. MADDEN.** Do you think that the bureau of audit in Government activities would have the same power of control that the bureau of audit in a private enterprise has?

**Mr. LOREE.** Yes; I think so.

**Mr. MADDEN.** With the pressure being brought from the outside, from the people on their Representatives here for activities which the Representatives themselves would probably not attempt to originate if it were not for that pressure?

**Mr. LOREE.** The bureau of audit would not be embarrassed in any way in bringing it to the attention of the committee.

**Mr. MADDEN.** No; they could bring it to the attention of the committee; but the question is, would it be rectified to the same extent as in your business?

**Mr. LOREE.** That would lie with the committee, as to whether they were disposed to rectify it.

**Mr. MADDEN.** I think it lies with the people, too; do you not think so?

**Mr. LOREE.** That might be true. I do not mean to say that it is without embarrassment, but I mean to say that it would be very promptly discovered, I think, and brought to the attention of the committee by the bureau of audit. The bureau of audit is a function in corporate management that is very much relied upon by the Executive.

**Mr. MADDEN.** Everybody around here in an official capacity is anxious to produce the results, but although the committees of Con-

gress might be just as anxious they might not be able to withstand the pressure from outside. The pressure of the people against us is always to stop the results, although they want the results. Do you not think that is more or less true?

Mr. LOREE. I have no doubt it is true; but within those limits we have got to live.

Mr. MADDEN. If you should have an unlimited tenure of office on the part of Members of Congress you would have men who would be specially qualified and selected to perform the functions.

Mr. LOREE. Their tenure is likely to be longer than that of the Executive.

Mr. MADDEN. Yes; that is true, as they are elected from time to time.

Mr. LOREE. Yes.

Mr. MADDEN. You might be able to get better results.

Mr. LOREE. The question was asked about the English committee on audit. Mr. Campbell asked a question about the reason for the Executive to—I do not say it offensively—exaggerate his difficulties. I think that is a very common experience with business corporations. The people who are chargeable with the work are always bringing in estimates that have to be cut down, and it arises from a variety of reasons. The disposition of each man to “exalt his own horn,” the disposition of some men to play safe, and various reasons. Generally the Executive finds first that he has got to cut the budget severely, and then he has about as much work on his hands to get his subordinates to execute the work authorized and spend the appropriation as he had originally in cutting down the amounts. I never can get my people to get right down and spend the money.

Mr. MADDEN. Their desire is to make a record and also to do the work.

Mr. LOREE. Also to do the work. For instance, I will get an estimate of \$400,000 for maintenance of way, so much for rails, so much for crossties, etc. I go over in detail and cut down, and then I can not get that man to spend as much as is left. I ask him month after month, “Why have you not got this track work done? Why have you not got this bridge work going?” It is a very curious mental attitude.

One reason I am opposed to the Federal executive budget is that I believe the reason a man does not get to work and spend this money is because he is dreaming all the time of what he is going to ask next year. His mind is full of his future program and is not on the program he has got, but he is getting up a new one.

Mr. MADDEN. You think the best way, then, is to have some independent organization to report a budget after having ascertained the opinion of the executive branch of the Government, and then have that executive execute the work without having to give consideration to what he is to have next year?

Mr. LOREE. Yes, sir.

Mr. TEMPLE. And independent of legislation?

Mr. LOREE. I would confine the executive to the budget. I would have this legislative budget entirely in the hands of the legislative.

Mr. GOOD. In your written brief that you file have you gone in detail into the reasons why you would give the Ways and Means Committee this power?

**Mr. LOREE.** Well, I recognize, of course, that as the country grows that gets to be an enormous job, and it is a reflex, perhaps, to some extent from the fact that it has now become divided among so many committees in the House and Senate. I do not know that I would like to go to the logical extreme about it. I am inclined to think that if you went back to the first division, the division of the Ways and Means, to raise the money and the division of the Appropriations to appropriate the money and plan for its expenditure, and perhaps had some members that were sitting on both committees, it would be well. We find it very often a great help in our work to have some members who sit on two or three committees. But I certainly would not go further in the separation than those two committees.

**Mr. BYRNS.** Would it be your idea that there should be more than one bill, or would you have the authority to raise revenues, and also the expenditures, in the main bill?

**Mr. LOREE.** No; I would bring them in separately. But that is a matter for the conduct of business in the House.

**Mr. BYRNS.** But you would have them in the same committee?

**Mr. LOREE.** Yes. That is the theory of the Constitution. Now, I say if it could be worked out practically it might be well to have two committees to do it, with some interchange of members. That would keep up a constant interrelation between the two committees across the table so that you would not have to send over for information.

**Mr. MADDEN.** There would be but one appropriation bill to cover all kinds of activities?

**Mr. LOREE.** Yes.

**Mr. MADDEN.** No matter what the source from which the revenue was to come in?

**Mr. LOREE.** Yes.

**Mr. MADDEN.** Would that, in your judgment, involve the enactment of a new revenue bill every year?

**Mr. LOREE.** Not necessarily. The appropriation would always be subordinate to the revenue.

**Mr. MADDEN.** Yes.

**Mr. GOOD.** We thank you very much for coming before the committee and giving us the benefit of your experience and advice. Your remarks will be sent to you to be looked over, and especially because we have not been able to give time to hear you at length, we will be glad to have you add any statement you desire.

**Mr. LOREE.** Thank you.

(The written statement submitted by Mr. Loree is here printed in the record as follows:)

MEMORANDUM FOR USE BY MR. L. F. LOREE.

The basic principle of our system of government, as written into the Federal Constitution by the founders of the Nation, was the complete separation of the three fundamental powers of the Government, namely, those of making, of interpreting, and of executing the laws. To enforce that principle, the Constitution intrusted to the Congress of the United States all duties of legislation (that is, the planning); to the Supreme Court all duties of interpretation; and to the President all duties of an executive or administrative character. It was accepted as a cardinal principle that in the complete separation of the three

classes of powers lies the surest safeguard against the oppressive exercise of any of them.

The effect of a clear understanding of the duties and responsibilities of the cooperating parts in the working of any organization upon the discipline and morale of its officers and men is well understood. In the railroad field especially this matter has received earnest and responsible attention, and there has been a constant endeavor to bring about a smooth administration of the properties by insuring a clear understanding on the part of all of the duties assigned to each and the resultant elimination of interference and friction between officers and departments. Under the Constitution we have a Government of divided powers with certain duties delegated to the Executive, others to the Congress, and still others to the judicial branches of the Government, and I can not but feel that some of our troubles are due to the failure to keep this distinction definitely in mind in the conduct of the business of the people.

The fiscal problems of the next 10 years will be most serious. With the utmost economy, the expenses of the Federal Government, plus charges on account of the hugely augmented national debt and its accompanying sinking fund will require the exaction of taxes which, even if most wisely based, must press heavily upon all the people and all industry. The difficulties will be great at best; unless a budget system can be established the situation is hopeless. Without one it is impossible for the Government to have a financial policy. It has been truly said of our present system: "Compared with the minute and exact system of English budget, our methods seem like the ignorant and disordered practices of barbarians."

As a basis of a budget system, there should be under the Ways and Means Committee a permanent board, the function of which should be to make a continuous and comprehensive study of the sources of revenue and of the revenue laws and their application; their industrial, financial, and social results; the distribution of taxation, including its shifting and final incidence and evasions of taxation, whether in violation of law or otherwise.

A budget system contemplates four distinct operations:

(a) *The preparation of the budget.*—This is the work of estimating expenditures, determining sources of revenue and rates of taxation, and estimating the results. The finances of the Nation are considered and treated as a unit and a comprehensive plan is made showing in summary and in detail both prospective expenditures and prospective revenues. This would take the place of the present lack of system, under which 14 separate committees of the House of Representatives and 15 of the Senate, working independently of one another and of the executive branch of the Government, divide these functions. This situation has largely developed during the last 20 years, although the Committee on Appropriations was deprived of full control over appropriations in 1885. Prior to 1865 the Committee on Ways and Means had jurisdiction over the whole subject of expenditures as well as revenues, the first step in the wrong direction being the creation of a Committee on Appropriations, which in that year took over the power to originate appropriation bills. The Ways and Means Committee should recover the powers of which it was divested, should sit during recess, and should present its budget during the first month of each annual session of Congress.

(b) *The ratification of the budget.*—Debate in Congress upon the budget should be thorough, and the heads of the executive departments affected should be permitted to attend and to participate without voting. The principle should be recognized that "the constitutional duty is not to augment but to decrease expenditure." More than two centuries ago the House of Commons adopted a rule to the effect that it would consider no motion for a charge upon the public revenue unless recommended by the executive (in our case the Ways and Means Committee). This rule has remained continuously in force until the present time. No amendments are made in the Commons increasing any of the items of the estimates. Congress should have a similar rule.

(c) *The execution of the budget.*—Moneys collected by the Treasury should be placed to its credit in the several Federal reserve banks, and not, as now, in any one of the nine subtreasuries. Moneys made available by appropriation are disbursed through the Treasury of the United States upon requisitions from the departments. The accounts and balances arising are certified to the Division of Bookkeeping and Warrants of the Treasury Department or to the Postmaster General. The decisions of the Comptroller of the Treasury as to whether any expenditures have been authorized are of a quasi judicial nature and are final and binding upon all branches of the executive department.

(d) *Audit*.—The most important phrase of legislative control occurs after the money has been spent under its authority. This phase is substantially neglected by the American Congress, and such auditing as takes place is executive; that is, it is in charge of those who have made the expenditures. Congressional control over the budget should be supported by the creation of an auditing committee, the chairman of which ought not to be a member of the party in power. This committee should meet frequently, should be free in its criticisms, and should have a permanent staff under the auditor general. It should scrutinize expenditures, not only in order to ascertain whether there has been conformity to the ratified budget, but should look into efficiency and economy in letting contracts for purchase of supplies, the construction of public works, and other matters of administration involving expenditures. In the case of unexplained irregularities the committee should be empowered to refuse to sanction payments of money. The auditor general should be absolutely independent of the Treasury Department and of all executive control. He should have substantially life tenure of office, and his duties should be clearly defined by statute. It is not proper that the executive branch, which spends the money, should also audit the accounts.

The whole business of Congress would be simplified by the adoption of the budget system. No legislative budget will be effective, however, which is not prepared by a single committee having jurisdiction over both revenues and expenditures and is not assisted by a permanent nonpartisan board dealing with revenues and taxation, and by an auditor general, with a permanent staff. There can be no sufficient guarantee of the enforcement of the budget system without a legislative audit.

In all foreign Governments the legislature controls the ratification and the audit, while the executive controls the preparation and the execution, but in the most successful of these Governments the executive is actually a committee of the legislature subject to instant dismissal whenever it forfeits legislative confidence or fails to carry out the legislative will. Under our system of government the authority of the executive should be limited to the execution of the budget. The legislature should control its preparation and its ratification and the audit.

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FRIDAY, SEPTEMBER 26, 1919.

**STATEMENT OF MR. R. FULTON CUTTING, CHAIRMAN OF BOARD OF TRUSTEES OF THE BUREAU OF MUNICIPAL RESEARCH, NEW YORK, N. Y.**

The CHAIRMAN. Mr. Cutting, you are chairman of the board of trustees of the Bureau of Municipal Research, are you not?

Mr. CUTTING. Yes, sir.

The CHAIRMAN. Is that a New York institution?

Mr. CUTTING. Yes, sir.

The CHAIRMAN. What is the nature of the Bureau of Municipal Research?

Mr. CUTTING. It is an institution the purpose of which is to cooperate with public officials in promoting efficiency and economy.

The CHAIRMAN. How is it maintained?

Mr. CUTTING. By individual contributions.

The CHAIRMAN. How large a membership have you?

Mr. CUTTING. Well, it is very small. I do not remember what the membership is, but it is a very small corporation with a board of trustees, and the membership is hardly larger than the board of trustees.



The CHAIRMAN. Do you give your whole time to it?

Mr. CUTTING. No, sir.

The CHAIRMAN. What other business have you?

Mr. CUTTING. I am out of active business, but I am trustee for a good many concerns, including banks and corporations.

The CHAIRMAN. You have large business experience, I take it?

Mr. CUTTING. Yes, sir; considerable experience.

The CHAIRMAN. Now, this committee is studying, without regard to any particular bill that is pending before it, but in a broad way, all the principles upon which sound legislation should be based for budgetary reform. I suppose you have given that matter some study and investigation?

Mr. CUTTING. Yes, sir.

The CHAIRMAN. Would you like to make a general statement in reference to the matter?

Mr. CUTTING. Yes, sir. With reference to the expert side of it, there are other gentlemen here who could, perhaps, make a better contribution. Perhaps the best contribution I could make would be to recite briefly the history of New York City with reference to the budget.

The CHAIRMAN. We will be very glad to hear that.

Mr. CUTTING. For the past 25 years or so there has been an unremitting effort on the part of citizens of New York to promote efficiency and economy in administration, and the so-called reformers would every now and then elect a mayor, and then the antireform people would elect a mayor. The idea with which the so-called reformers started was to cut down the tax rate, because whatever the tax rate is the people complain of it, but they were disappointed in finding that when they elected a mayor that did not cut down the tax rate, but the tax rate was more apt to be raised under a reform mayor than under an antireform mayor. After a while a number of people interested in the subject got together and they came to the conclusion, after studying the situation, that the trouble arose not so much from the personnel of the government as from the organization and methods which, as you probably know, were at that time in New York City thoroughly archaic. They set to work to see if they could find some means by which to get a reorganization of the whole machinery of government. They started off first in the department of health by writing a budget. The commission, or head of that department, was ready to accept outside information from experts, and they wrote a budget for that department; a segregated budget.

That was under the administration of Mayor McClellan and Comptroller Hermann Metz, whom you all met here some time ago. Mr. Metz's business experience, which was pretty large and successful, enabled him to discern the merits of that budget. Therefore, after some discussion in the board of assessment and apportionment, it was ordered that all the departments of the city should frame budgets along the same line of segregation. That meant, of course, the use of such experts as the bureau of municipal research had to offer to the city, and they offered them without cost to the city, the result being a complete budget covering the administration of the various departments of the city. That revealed the fact that there was a vast amount of useless expenditure, duplication, overlapping.

waste, etc., in all sorts of details, which the budget very plainly showed when we came to study the departments. That led to a pretty thorough reorganization of the entire government of the city, and to the introduction of some modern machinery and methods where old-fashioned practices were in vogue. In New York this has resulted in an exceedingly salutary change. They have a machinery of government now that is very good, indeed, and that very largely eliminates the old-fashioned waste.

Now, at the same time that this change of methods was taking place in the city, I think that the ideal of the people changed very largely in many respects, and so much so that they began to feel that waste in the administration of the city was not merely foolish, but that it was criminal. That is largely owing to the fact that New York City has done a great deal in connection with matters of social betterment, and the citizens and taxpayers feel that waste in public expenditures becomes, not simply foolish, but criminal, because moneys that would be otherwise expended for the welfare of the whole people is going where it ought not to go, or is being wasted. Therefore, we got a different ideal that was much more encouraging and inspiring in this movement. Now, the effect of a segregated budget, and through it the reorganization of the city government was indicated by the expenditures of the various departments. I have a little statement here which was made up some years ago, because during the last two or three years everything has been thrown out of relation on account of the increased cost of operation, and this statement, I think, will illustrate what was accomplished. We took the period 1910 to 1915, and ascertained the average annual cost of the operation of the various departments of the city, taking only the part of the whole budget that was affected by the reorganization, because there were a large number of things in the New York City budget that were not affected at all by the immediate administration, such as interest on the public debt, the educational system, that it had no authority over.

Now, the cost of operating the departments in New York in the years from 1903 to 1908, before we commenced to write a budget, showed an average increase over the cost for the preceding five years of 6.63 per cent of the budget. For the period from 1908 to 1913, or the next five years, during which time this process of reorganization was going on, the average increase over the preceding five years was 5.10 per cent. But reorganization had been cumulative, so that in the last three years of that five, or from 1910 to 1913, the percentage had fallen to 4.44 per cent. In the period from 1913 to 1914, again, it had fallen to 4.13 per cent. In the period from 1914 to 1915 it fell finally to four one-hundredths of 1 per cent. I do not know that there is anything that I can add to this that would be more illuminating to the whole subject than that statement. Since that time we have not made a comparison of the figures, because the war came on, producing excessive costs in the operation of the bureaus, and that made it impossible for us to make a fair estimate or comparison.

The CHAIRMAN. How is the budget prepared in the city of New York now? Does the mayor take responsibility for it?

Mr. CURTING. Yes, sir. It is true that the members of the board of estimate and apportionment have nearly equal powers, but he is the man who stands responsible for the whole budget of the city.

The CHAIRMAN. Does he have a director of budget or board?

Mr. CUTTING. He has a committee of men that have become pretty expert.

The CHAIRMAN. They prepare it and submit it to him?

Mr. CUTTING. Yes, sir. The first thing that is done is that the various city departments submit their estimates, which are supposed to be in by the 1st of July. Those estimates are then put in the hands of this committee and thrashed out and combined.

The CHAIRMAN. Does your fiscal year correspond with the calendar year?

Mr. CUTTING. Yes, sir.

The CHAIRMAN. After the estimates are made and submitted by the mayor to the council, do they have the right to increase or lower the estimates by the amount appropriated?

Mr. CUTTING. Do you mean the aldermen or the board of estimate and apportionment? The board of estimate and apportionment passes on the budget first of all.

The CHAIRMAN. They are the legislative body, so far as making appropriations is concerned?

Mr. CUTTING. Yes, sir.

The CHAIRMAN. They have the power to increase or decrease?

Mr. CUTTING. Yes, sir; absolutely.

Mr. CAMPBELL. The board of aldermen only has the power of reduction?

Mr. CUTTING. That is all.

Mr. CAMPBELL. They do not have power to increase the appropriation?

Mr. CUTTING. No, sir.

The CHAIRMAN. Do they very frequently decrease the estimate made by the mayor?

Mr. CUTTING. Almost always, and then the mayor has the power of veto over the board of aldermen.

The CHAIRMAN. Can he veto individual items?

Mr. CUTTING. Yes, sir.

The CHAIRMAN. Is the budget put through for a fiscal year?

Mr. CUTTING. Yes, sir.

The CHAIRMAN. In one measure, as a general rule?

Mr. CUTTING. In one appropriation measure. That has to be done by the 30th of October.

Mr. MADDEN. The budget is made by the board of estimate and apportionment to begin with?

Mr. CUTTING. Yes, sir.

Mr. MADDEN. Consisting of the mayor, the presidents of the boroughs, and the comptroller, each having a vote according to the size of his borough?

Mr. CUTTING. Yes, sir.

Mr. MADDEN. Some having two votes, some three votes, and some one?

Mr. CUTTING. The mayor, the controller, and the president of the board of aldermen have three each. They have the controlling vote in the board of estimate and apportionment.

The CHAIRMAN. What was the method employed prior to the installation of this budget system in New York?

Mr. CUTTING. It was simply that the various departments made all their estimates en bloc, without any segregation of any kind at all. I think, perhaps, the way in which the budget was made was very clearly illuminated by an instance that happened in New York about the time we commenced work on this matter. Some time about 1908 we opened in New York the first public bath house. New York had no experience with such an institution, and did not know how much it would cost to run a bath house for a year. The man in charge of the department—I think it was the commissioner of public works—submitted an estimate to the board of estimates and apportionment for \$52,000 for the expense of conducting the bath house for the coming year. The board of estimate and apportionment did not have the slightest idea as to how much it would actually cost to run the bath house, but, on the basis on which they made appropriations in those days, they took it for granted that the commissioner would always pad his request, and so they simply said, "We will let you have \$35,000." Now, they had no more idea as to whether it would cost \$35,000 or \$52,000 than we might have sitting here. It happened at that time that the Association for Improving the Condition of the Poor in New York was running a bath house, which was intended as a model for the city.

As soon as the statement of the appropriation came out, that association wrote to the mayor stating that they had had actual experience in operating a bath house, and that the appropriation of \$35,000 was not only too large, but that the association would give its pledge that it would run this bath house for the city on the same scale of wages and hours of employment used by the city for \$17,500, which was just half the appropriation proposed. That statement was published, and with that expert information by those who had operated a bath house and know what it would cost, the Board of Estimate and Apportionment could not make that appropriation of \$35,000. They could not do it, because for the first time they had expert information as to what it actually cost to run a bath house. Therefore, they withdrew the appropriation and made a new one of \$22,000, thus saving \$13,000 on that one small item of a bath house, and simply because they had for the first time reliable information from people who knew what it really cost to run a bath house.

Mr. MADDEN. Did they save it, or simply refuse to appropriate it? In other words, would it have been expended anyway?

Mr. CUTTING. The \$35,000?

Mr. MADDEN. The whole thing. You say they saved \$22,000.

Mr. CUTTING. They saved \$13,000, or the difference between \$22,000 and \$35,000.

Mr. CAMPBELL. How did the estimates compare with the amount recommended by the budget board or committee.

Mr. CUTTING. I do not understand that.

Mr. CAMPBELL. I mean the estimates made by the several departments. You say that estimates were made.

Mr. CUTTING. Do you mean in the old days?

Mr. CAMPBELL. Yes.

Mr. CUTTING. They were made en bloc.

Mr. CAMPBELL. I am referring to the size of the estimates.

Mr. CUTTING. They were always cut down by the board of estimate and apportionment. They were all cut down, but without any information of any kind, and just on the assumption that they were padded, because the board of estimate and apportionment had no information whatever from any department as to what it would cost to run it.

Mr. CAMPBELL. The several departments make their estimates, do they not?

Mr. CUTTING. They now make segregated estimates.

Mr. CAMPBELL. How do those segregated estimates compare in amount with the final budget?

Mr. CUTTING. The board of estimate and apportionment generally materially reduces the estimates of the department heads. It is a natural thing that they should ask for more than they should have. Perhaps they could use the money wisely, but the situation with respect to the total expenditures may be such that their requests can not be granted. They must be considered relatively.

Mr. CAMPBELL. What is the total expenditure of the city?

Mr. BEARD. About \$248,000,000 this year. That includes county and State taxes.

The CHAIRMAN. Referring to this reduction, or, rather, halting of the tendency to increase appropriations at the rate of from over 5 per cent to almost 7 per cent per year, to what extent do you regard the saving as shown by that reduction due to fixing responsibility on the mayor for the budget proposals?

Mr. CUTTING. To a very large degree, unquestionably.

The CHAIRMAN. How about the efficiency of the service?

Mr. CUTTING. Do you mean now?

The CHAIRMAN. Yes. Has it resulted in increased efficiency?

Mr. CUTTING. Yes, sir; all along the line.

The CHAIRMAN. So that, while it has resulted in halting this tendency to increase appropriations, you think it has also resulted in increased efficiency in the service?

Mr. CUTTING. I think there has been a good deal of increased efficiency, especially among the subordinates constituting the great mass of employees. The methods employed are much simpler. Again, we have eliminated a vast amount of duplication in the way of book-keeping, for instance. I can give you another illustration of that. At the time when one of our new comptrollers was elected, about 10 years ago, just before he came into office—he was elected in November and this was just before he came into office on the 1st of January—he was engaged in studying his department. The bureau of municipal research had just finished installing its new principles under Hermann Metz, who was going out at that time. The head auditor came to the new comptroller and said, “Mr. Comptroller, this is no doubt a good thing that the bureau of municipal research is putting in, but it is a very costly one.” He said, “I have now 23 subauditors in my department, but we have got to have 9 more, and, no doubt, it would be wise and economical to put in these 9 additional subauditors.”

Now, the new comptroller just coming into office, of course, had no information at that time regarding the matter. In the first place, he did not know the personnel of the department at all, and had no information whatever. He turned to the Bureau of Municipal



Research, and said, "You have put this new system in, and now what can you say to me with reference to enlarging the bookkeeping department?" The bureau said, "In a very short time we will show you that instead of requiring nine additional employees, you can dismiss nine of them, and operate the whole department with fourteen." After a short time, that was done. He entered upon his duties unfamiliar with the duties of his office, and with the vast amount of labor falling on his shoulders he could not well have accomplished that change. It cannot be done unless there is somebody who is expert enough to show how it can be done.

Mr. HAWLEY. What power does the comptroller have over the expenditure of money?

Mr. CUTTING. It is very large.

Mr. HAWLEY. Can he stop an expenditure by a department before the account comes to him? If he knows that a certain branch of the Government is about to make an expenditure, can he challenge that item of expenditure?

Mr. CUTTING. Under the budget?

Mr. HAWLEY. After the appropriation is made and the money is apportioned to his department. Can he challenge expenditures of any department of any money by saying that it is contrary to the intent of the body that appropriated the money, or that it is illegal or improper?

Mr. BEARD. He can challenge it on the ground of illegality.

Mr. HAWLEY. Can he control the expenditures?

Mr. BEARD. He could hold them up temporarily, at least.

Mr. MADDEN. He has no jurisdiction over that, has he?

Mr. HAWLEY. Can he challenge an expenditure on the ground that it is improvident?

Mr. CUTTING. He has already voted for the budget.

Mr. MADDEN. The comptroller is the chief bookkeeper of the city.

Mr. CUTTING. Yes, sir; and he is also the banker of the city.

Mr. MADDEN. Yes, the banker and fiscal agent of the city, but, at the same time, he has no jurisdiction to pass upon the legality of expenditures.

Mr. CUTTING. No, sir; that would go to the corporation counsel.

Mr. CAMPBELL. Does he not pass on the letter of the law with reference to expenditures?

Mr. BEARD. He can raise the question of whether this expenditure was actually authorized by the budget in passing on the vouchers. Dr. Cleveland is better acquainted with that phase of it.

The CHAIRMAN. Suppose an item comes to the comptroller and he is not sure whether there has been any appropriation made for the item: He submits that question to the corporation counsel, and the corporation counsel, we will say, advises him that there has been no appropriation for that item. Now, who is the officer in the Government that makes the ruling that may disallow the claim?

Mr. BEARD. The corporation counsel's opinion would be held by the department to be controlling.

Mr. CUTTING. He has already passed on the budget, and every item is supposed to be in the budget; so that, of course, if something comes up that is not in the budget he does not make the expenditure if he is not authorized to do it.

Mr. MADDEN. The city of Chicago has practically the same sort of budget system that you have in New York. I was chairman of the finance committee of Chicago for seven years. Our system is similar, except that we have no board of estimate and apportionment in Chicago. The heads of the departments and the comptroller sit down, together with the mayor and the chairman of the finance committee, and work out a budget. It is then passed on to the finance committee and it is brought before the council and acted on by the council. The mayor has the power to veto any item in the bill, which power does not exist in a good many places. Then the amounts are credited to each department, and they are subject to the jurisdiction of the heads of the departments. The heads of the departments let contracts, create obligations, and approve bills. The comptroller acts as paymaster. He has no power to go behind the returns of those vouchers, and I assume that your comptroller has not that authority.

Mr. CUTTING. He has not if it is authorized by the budget.

The CHAIRMAN. Suppose there is an appropriation for the repair of streets and an item is presented which would mean to some extent the resurfacing of streets and that question should come before the comptroller. As I understand it, the comptroller would submit the question to the corporation counsel as to whether or not the appropriation for the repair of streets was available to pay for a job of street resurfacing. Suppose the corporation counsel should hold that it was not available for that purpose, in the last analysis, who makes the decision as to whether or not the claim shall be paid?

Mr. CUTTING. The comptroller acts, finally, of course.

Mr. MADDEN. I do not think that is the fact. I think the fact is that the man in charge of the department takes the question as to the availability of the appropriation under consideration and decides whether or not the contract will be let, and if he lets the contract and creates an overdraft the comptroller is still bound——

Mr. CUTTING (interposing). I do not think so.

Mr. MADDEN. He is in our city.

Mr. GARNER. Under the Federal Government the duty is imposed upon him to determine the legality of claims, and in determining the legality that would certainly involve the question of whether Congress had made the appropriation.

Mr. MADDEN. That is true of the United States Government, but it is not true of the city of New York or of the city of Chicago.

Mr. CUTTING. I think you will find that is the case in the city of New York only this, that, of course, if a man exceeds his appropriation, then the whole board of assessment and apportionment has to sit down and consider it. If they say that they will make an appropriation to cover the deficit, that will be done, but I am sure that the comptroller alone would not pay it.

Mr. MADDEN. That must be in case of an emergency. Of course, they can not make any appropriation between the beginning of the fiscal year and the end of the fiscal year in our city unless it is an emergency.

Mr. CUTTING. We do that in New York sometimes.

Mr. MADDEN. But only in case of an emergency?

Mr. CUTTING. Yes, sir.

The CHAIRMAN. Do you desire to make any statement with regard to the application of those principles to a budget system for the United States Government?

Mr. CUTTING. I fear I could not, but you have heard statements covering that phase of it from other witnesses. Of course, I am heartily in sympathy with this movement for the establishment of a budget system in the National Government.

The CHAIRMAN. Do you think, as a general proposition, that the principles upon which your budget are planned are applicable to the Federal Government?

Mr. CUTTING. I do, entirely.

The CHAIRMAN. So far as making estimates and appropriations is concerned?

Mr. CUTTING. Yes, sir; I do.

Mr. CAMPBELL. Would you advocate limiting the power of Congress to increase appropriations over the budget?

Mr. CUTTING. I would, unless Congress at the same time should make provision of resources from which to meet their increase.

Mr. GARNER. Is your budget system in the form of a law, or is it simply the action of the mayor?

Mr. CUTTING. It is in the form of law. It is in the charter.

Mr. GARNER. The way the budget originates, to begin with, I suppose, is that an estimate of the revenues is made, or is the estimate of expenditures first made?

Mr. CUTTING. The estimate for expenditures is first made.

Mr. MADDEN. Then you levy taxes, so far as taxes are necessary on realty and personal property which must be appropriated to the full extent of the levy?

Mr. CUTTING. Yes, sir.

Mr. MADDEN. Then you estimate your miscellaneous receipts, which need not be all appropriated, unless it is thought proper that they should be?

Mr. CUTTING. Yes, sir. Of course, they are estimated in a large degree.

Mr. MADDEN. But, of course, you do not need to appropriate up to the limit of the estimated miscellaneous receipts. If you do you may have an overappropriation.

Mr. CUTTING. That is what they must do sometimes.

Mr. MADDEN. That causes the necessity of issuing bonds frequently, because they overestimate the miscellaneous receipts.

Mr. CUTTING. Yes, sir. They are always apt to overestimate them.

Mr. MADDEN. Is it not done largely on purpose, in order that they may make appropriations far in excess of the revenues, thereby increasing the bonded expenses of the city?

Mr. CUTTING. I think that in the last two or three years they have very seriously overestimated the income to be derived from real estate. I mean that the estimates have been so high that a large number of those assessments have not been paid.

Mr. MADDEN. They have been set aside by the courts?

Mr. CUTTING. Yes, sir.

Mr. MADDEN. You do not overestimate your miscellaneous revenues?

Mr. CUTTING. Not to a large degree.

Mr. MADDEN. Is it not frequently done with knowledge of the fact in advance that you are overestimating them in order that you may apparently have more revenue with which to conduct the city than you really have, and does not that cause the issue of bonds?

Mr. CUTTING. The board of estimate and apportionment handles that question.

Mr. BYRNS. You stated that the budget for New York is prepared by the mayor, with the assistance of a board.

Mr. CUTTING. Yes, sir; the board of estimate and apportionment.

Mr. BYRNS. Is this board appointed or elected by the people?

Mr. CUTTING. Three of the members are elected by the whole city, the mayor, the comptroller, and the president of the board of aldermen. Each one of them have three votes in the board of estimate and apportionment. The others are the borough presidents, who are five in number.

Mr. BYRNS. They are elected?

Mr. CUTTING. Yes, sir; by the boroughs.

Mr. BYRNS. By the voters in the respective boroughs?

Mr. CUTTING. Yes, sir. They have 8 votes and the others have 9. Three of them are elected by the whole city, and they have altogether 9 votes, while the others have 8 votes.

Mr. BYRNS. Then, the entire board is elected by the people?

Mr. CUTTING. Yes, sir.

Mr. BYRNS. Did I understand you to state that you were in favor, so far as the National Government is concerned, of imposing restrictions upon the power of Members of Congress to offer amendments to increase appropriations?

Mr. CUTTING. Under the budget?

Mr. BYRNS. Yes.

Mr. CUTTING. Yes, sir; unless, at the same time—and I do not know that I am sufficiently expert on this to answer your question—unless at the same time they made an appropriation from resources to meet that specific appropriation.

Mr. BYRNS. Then, you would leave the entire responsibility with the Executive and those whom he selects by his own appointment, rather than with those elected by the people, as to the formulation of new policies by the Government?

Mr. CUTTING. I think that is the democratic way of doing it. That is my judgment.

Mr. BYRNS. Is it entirely democratic to take away from the membership of the House, for instance, who are directly responsible to the people and who are elected by the people, any voice whatever with reference to appropriations made for the Government?

Mr. CUTTING. I think it would be all right for them to put in their requests at the time the budget is being made, and have them considered there.

Mr. BYRNS. But after that——

Mr. CUTTING (interposing). After that, I do not think they should have power to increase the appropriations. The reason I say that is democratic is because it seems to me that when we delegate power to the Chief Executive, we ought to give him all the power we can give for the just performance of his duties, and then hold him responsible.

Mr. BYRNS. Of course, we understand that the Chief Executive, in the first instance, can not look into the thousands and thousands of items of appropriations that are necessary to carry on the Government. At the same time, he would have to get the information and be influenced largely by appointive officers.

Mr. CUTTING. Undoubtedly.

Mr. BYRNS. For that reason, I question whether it would be entirely democratic to leave it to him.

Mr. CUTTING. Yes, sir; because you hold him responsible for the whole thing, and unless you do locate the responsibility I do not see how you can get anywhere at all.

Mr. MADDEN. If you largely overestimate the revenues against which you make appropriations, and make appropriations up to the full amount of the estimates and then expend up to the full amount of the appropriations, would that be a species of extravagance or a species of economy? Does it not result in one or the other?

Mr. CUTTING. That is a problematical question.

Mr. MADDEN. If you overestimate——

Mr. CUTTING (interposing). That would depend upon the heads of the departments altogether, or upon their loyalty and efficiency.

Mr. MADDEN. You admitted to me a short time ago that the tendency was to overestimate.

Mr. CUTTING. It is in New York City.

Mr. MADDEN. Is that not true everywhere?

Mr. CUTTING. Yes, sir; I think it is.

Mr. MADDEN. Where we have ordinary revenues as the basis for expenditures?

Mr. CUTTING. Yes, sir.

Mr. MADDEN. If that be true, and the budget system exists where that is done, is there any economy following the policy of a budget?

Mr. CUTTING. I think so, decidedly; but, of course, as I said, that depends in a great degree upon the loyalty and efficiency of the heads of the departments.

Mr. MADDEN. That is a matter of public policy, of course, but when you admit that the estimates are made largely in excess of the actual revenues, and the appropriations are met by the revenues and the expenditures are met by the appropriations, and a deficit results at the end of the year, because the expenditures are on the basis of the appropriation——

Mr. CUTTING (interposing). But the way to overcome that, it seems to me, is exactly the way we have adopted of having a budget committee of experts who will be better able to estimate what the revenues will be than those who have some particular object in overestimating them.

Mr. MADDEN. Then, why do you not do that in New York? You have not done that in New York, have you?

Mr. CUTTING. Do you mean in the matter of overestimating?

Mr. MADDEN. Yes.

Mr. CUTTING. I think we used to do it, but I do not think we are doing it as much as we used to.

Mr. MADDEN. How much deficit do you create every year on account of overestimating?



Mr. BEARD. From five to eight million dollars a year, but they must pay it in the next year's budget. They can not pile it up.

Mr. MADDEN. They issue bonds to meet that deficit, do they not?

Mr. BEARD. But they must meet it next year, and they can not pile it up.

Mr. MADDEN. But those bonds do not run for simply a single year

Mr. BEARD. They run just for a few months.

Mr. MADDEN. Finally you would get an accumulation of several years.

Mr. BEARD. No, sir; they can not accumulate them.

Mr. MADDEN. If you expend \$8,000,000 more this year than your revenues, and \$8,000,000 more next year than the revenues, and \$8,000,000 more next year than the revenues finally you would have your whole budget used up to meet overexpenditures.

Mr. BEARD. The overexpenditure of a year ago would be made up out of the budget of this year, and you can never have more than seven or eight million dollars of back indebtedness on that account under the charter.

Mr. CUTTING. Two years ago we undertook heroically to pay off what had accumulated in the years before. At one time there was an accumulation of \$30,000,000, I think, and that was paid off altogether.

Mr. MADDEN. What took its place?

Mr. CUTTING. It was paid off out of revenues of the city.

Mr. MADDEN. And no bonds were issued?

Mr. CUTTING. No, sir.

Mr. HAWLEY. Suppose this state of facts existed: A department having charge of the paving of streets proposes to let a contract for \$500,000, but the comptroller, from information of his own, believes that is an excessive price, and thinks it could be done for \$400,000. Has he any power to interfere in that case?

Mr. CUTTING. He would have passed on that estimate in the budget, and if he had information that led him to believe that that was an overcharge when the budget came before him——

Mr. HAWLEY (interposing). Each proposed improvement is estimated for in the budget?

Mr. CUTTING. Yes, sir.

Mr. HAWLEY. And there is not any appropriation to be expended generally in the discretion of the department, but every item is segregated?

Mr. CUTTING. Every item is segregated.

Mr. MADDEN. Are street improvements in New York made from special assessments, or are they paid for out of general taxes?

Mr. BEARD. Do you mean repairs?

Mr. MADDEN. I mean paving.

Mr. BEARD. I can not answer that offhand.

Mr. MADDEN. If they are paid out of special assessments, that would not be included in the budget, because you would not know how many streets would be paved, would you?

Mr. CUTTING. It is a lien on the property if it is not paid.

Mr. MADDEN. But you would not know what streets would be paved, and so you could not include it in your budget.

Mr. CUTTING. We estimate the whole amount of the cost. The department must bring in figures showing what it wants for paying and repairs.

Mr. MADDEN. That is for the city's part of it, but it does not provide for the part to be paid by assessment against the property.

Mr. HAWLEY. Is your general repair work provided for in a lump sum to be expended in the discretion of the departments?

Mr. CUTTING. No, sir; I think it is to a large degree segregated.

Mr. BEARD. The degree of segregation varies from year to year.

Mr. HAWLEY. Suppose the head of the department lets a contract for repair work at \$35,000, to be paid out of a lump-sum appropriation, and the comptroller believes it should be done for \$20,000; can he stop that contract?

Mr. BEARD. Not if it is authorized in the budget.

Mr. HAWLEY. But if it is not authorized in the budget, and a lump-sum appropriation was gotten which can be used at his discretion?

Mr. BEARD. He could not interfere with the discretion there.

The CHAIRMAN. Mr. Cutting, we are very much obliged to you for the information you have given us. It was information that the committee did not have in respect to a municipal budget.

Mr. CUTTING. I thank the committee for its attention.

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FRIDAY, SEPTEMBER 26, 1919.

**STATEMENT OF MR. CHARLES A. BEARD, DIRECTOR OF THE  
BUREAU OF MUNICIPAL RESEARCH, 261 BROADWAY, NEW  
YORK.**

The CHAIRMAN. Mr. Beard, what is your business?

Mr. BEARD. I am director of the Bureau of Municipal Research, at 261 Broadway, New York.

The CHAIRMAN. That is the same organization that Mr. Cutting spoke about this morning.

Mr. BEARD. Yes, sir.

The CHAIRMAN. How long have you been the director?

Mr. BEARD. I have been director a little over one year, but I have been connected with the service about four years.

The CHAIRMAN. Do you give your whole time to the duties of the office?

Mr. BEARD. Yes, sir.

The CHAIRMAN. What are the functions of this bureau?

Mr. BEARD. It conducts continuous inquiries in the field of New York City government; cooperates with city officials, studies the problems of the government of the State of New York. For some time we have been going outside at the request of other cities, and other States, and making studies of their financial, administrative, and accounting problems.

The CHAIRMAN. Looking to an improvement of the conditions in the city of New York?

Mr. BEARD. Yes, sir.

The CHAIRMAN. Are you recognized by the city government of New York in any way?

Mr. BEARD. Officially?

The CHAIRMAN. Yes.

Mr. BEARD. No, sir; not at all.

The CHAIRMAN. The bureau is sustained by private subscriptions?

Mr. BEARD. Yes, sir.

Mr. MADDEN. Your information is promulgated through the press, is it not?

Mr. BEARD. Yes, sir; mainly, and through publications such as I present here.

Mr. MADDEN. Prior to your taking up this work, what business were you engaged in?

Mr. BEARD. I was a professor in Columbia University, in the field of government; a student of government.

Mr. MADDEN. Have you written any books?

Mr. BEARD. Yes, sir; I have.

Mr. MADDEN. Of what nature?

Mr. BEARD. On American government, American municipal government, American citizenship, and quite a number of subjects.

The CHAIRMAN. Will you make a statement to the committee with regard to the question of budgetary legislation?

Mr. BEARD. May I be permitted to present to the committee a number of documents which we have published dealing with the budget in States and cities?

The CHAIRMAN. You may file them with the committee.

Mr. BEARD. May I call your attention especially to the document entitled "The Governor's Budget in Maine," which illustrates the way in which the governor, without any legislation, may take the leadership in the formulation of a budget, establish cooperative relations with his legislature, and sit at the table with the representatives of the legislature and work out the plans? That is a very interesting illustration of the way in which you can do this by custom without legislation.

Mr. GARNER. Can that be done equally well from the Federal standpoint as from the State standpoint?

Mr. BEARD. Probably; but there is this difference: The President of the United States is more largely occupied with important political questions than is the governor of a State, and he is not able to give, I imagine, as much attention to the details of budget making as the governor of a State, who does not have foreign affairs and many other highly complicated questions of national policy to deal with.

Mr. GARNER. Unless the governor or President should take the initiative, with a desire to accomplish the result suggested in this document, it could not be done, anyway?

Mr. BEARD. That is true, but this document shows that the President, if he had the time and inclination to do so, without any legislation, except, perhaps, a law creating an agency to help him study the problem, could prepare and send to Congress a budget showing his views of the expenditures and revenues.

Mr. MADDEN. Have you reached the conclusion that there are no complications in the form of the Federal Government that do not exist in the State and municipal governments in the matter of the introduction of a budget system.

Mr. BEARD. I think there are complications.

Mr. MADDEN. That is what we would like to get at.

Mr. BEARD. I think that the striking thing is in the relative position of the President as compared with a mayor of a city or the governor of a State. The President is elected on large political issues and must devote his attention mainly to carrying out his political policies, and therefore will have at best but little time to give to the great and infinite details of budget making. That is why I am inclined to think that it would be wiser to make the Secretary of the Treasury our chief budget officer, removing from the Treasury Department all the services that are not related primarily to finance. He should be made responsible. I think the fact that the Secretary of the Treasury is appointed by the President and may be removed by the President is in itself important as compared with the ordinary State government where the comptroller or treasurer is elected by popular vote, and may belong to the other political party and thus entirely independent of the governor.

I think this is such a high and important function in the Government that we might very well make the Secretary of the Treasury the chief financial officer, under the President, of course, charged with the responsibility for preparing the financial plan. He could talk it over with the President, as the President desired, and if the President became vitally interested in any particular part of it he would want to make it a subject for a special message to Congress.

The CHAIRMAN. Now, Mr. Beard, suppose the platforms of both of the parties at an election have very elaborate planks with regard to economy and reduction in expenditures. We give the Secretary of the Treasury the right to present a budget and, as you suggest, make him responsible for it. When the election comes around again we find that there has been an increase in expenditures and no reductions at all, and that extravagance is rampant. The people have no opportunity, then, to punish the administration unless it is the punishment of a Member of Congress. So far as the responsibility for the estimate is concerned, the people can not hold anybody responsible, because they did not select the Secretary of the Treasury. He is appointed by the President, and Congress has said that he is the official who is to be made responsible for that budget and for that program of economy.

Mr. BEARD. I take this exception, if I may, to your statement. I think the people hold the President responsible for his Cabinet officers. I do not think the President can shift to anybody else the responsibility for any important question of administrative policy. I mean, I think it is so well fixed in the public mind that that is necessarily so. Now, if you look over the history of legislation in reference to Cabinet positions, you will find that the Secretary of State is especially the President's own official. That is, he has to do everything the President orders him to do in the conduct of foreign affairs under the statute. I see no reason why the same sort of statute should not apply to the Secretary of the Treasury, and it would be publicly understood that the Secretary of the Treasury comes under the authority of the President of the United States in handling the finances of the country.

Mr. MADDEN. The fact that the President appoints the Secretary of the Treasury makes the President responsible.

Mr. BEARD. I think so. Certainly we hold Mr. Wilson responsible for the policies of Mr. Lansing. I mean that as long as Mr. Wilson retains Mr. Lansing in the Cabinet, I assume that they are agreed on general policies.

The CHAIRMAN. There has been a great deal of complaint against the Postmaster General with regard to the administration of the postal laws. He is the President's Postmaster General. Whether those complaints are well founded or not, the people never think of President Wilson's connection with the Postmaster General at all. They simply feel that they are complaining against the acts of the Postmaster General, and they hold him responsible, and yet they have no way of expressing their disapproval of his actions.

Mr. BEARD. Mr. Chairman, do you not think that in the next campaign that will be one of the questions discussed, the administration of the Post Office Department, and Mr. Wilson or the Democratic Party will have to assume responsibility therefor?

Mr. HAWLEY. Suppose we make the Secretary of the Treasury the budgetary officer on the part of the Executive. He submits a budget and it is criticized in the country, and the President finds some method of dispensing with the services of the Secretary of the Treasury as a concession to popular clamor. Then if you raise the question in the next campaign the answer will be that that official was discredited and dismissed.

Mr. BEARD. If the President displaces him, then I think he would clear himself of responsibility, because he would put in somebody else who would have a different policy.

The CHAIRMAN. You would give the Secretary of the Treasury the power to revise and change the estimates, a power he does not have at the present time?

Mr. BEARD. Yes, sir. Mr. Chairman, I believe that there is no information that Congress ought not to have about the affairs of the Government, and therefore I would also require him to present to Congress through the President the estimates as submitted to him, as well as his own estimates.

The CHAIRMAN. The estimates as submitted to him?

Mr. BEARD. Yes; and also his own estimates.

Mr. HAWLEY. That is a good observation you made a moment ago, but on this end of the Avenue we find it very hard to carry out in a great many instances.

The CHAIRMAN. Proceed, Mr. Beard.

Mr. BEARD. There are one or two phases of the subject that I would like to bring especially to your attention before I conclude. As I have studied this problem in the State of New York and in the city and in a number of cities, I find that the central point of interest, so to speak, in the budget is to get consideration of the entire program of expenditures at one time by some responsible body. I think that is the heart of it, as I see it, watching it in our small cities and large cities and in New York. Now, I do not think it mattered so much in the days of light taxation if we did have a lax and a loose way of making appropriations, but I would like to call your attention to this striking fact that is constantly impressed upon me as a student of municipal government. I mean the rising cost of city government. I will illustrate that by a reference to the city



of Newark, N. J. If the expenditures of that city increase the next 10 years as they have during the last 10 years and the assessed property values increase in the same ratio, the citizens of Newark will pay something like 5.9 per cent tax on property assessed up to 80 per cent and 90 per cent of its value.

Mr. MADDEN. What is the rate now?

Mr. BEARD. Three and forty one-hundredths. Our cities are really facing a grave crisis. I have been analyzing expenditures in our cities, and up until 1914 our cities were increasing their services, because you know that as a town grows it necessarily increases its services. It must have recreation facilities, parks and playgrounds, and things like that, which cost money, that are absolutely necessary to an urban population to maintain the high standards of living and develop the right kind of citizens.

Now, about 1914 there came an abrupt stop pretty generally to the increase in the number of services we were rendering in the cities. Then came the increase in the cost of what we were actually doing, until now our cities are unable to expand those services which they ought to expand. I was talking with a gentleman from Cleveland yesterday who came in to talk to me about the finances of that city and their inability to carry out a program of Americanization. He said they had something like 80,000 men who were not naturalized in Cleveland and did not vote. Many of them were Hungarians, who read only Hungarian newspapers. The city does not have the necessary funds to expand the city parks and playgrounds and do those things which improve the public life of the city and tend to make good citizens and make people care about their Government. We extended our services until about 1914, when our increased cost of living compelled us to curtail expenses. Now our cities are at their wits' end for revenues, with prohibition cutting off their revenue from that important source and the personal-property tax failing to yield a revenue sufficient to take care of increasing expenditures. Being compelled to rely mainly upon real property taxes, we have about reached a point where our cities must have help of some kind. Looking into the future, I see a development of this kind—that you are going to be called upon more and more in Congress to aid the States in the extension of their services. You have done it in the way of roads, public health, and education. I am not saying that you have not done enough, but I say you are going to be called upon to aid our States and they in turn will be called upon to aid our municipalities. Now, let me illustrate that. I have in mind a city, which I will not name, as I do not want to put it in the record, that is surrounded by residential areas, the owners of factories and great shops live outside of the city. I have made a study of the movement of the population and find that there is a very large alien population, and that a large proportion of the inhabitants of the city are nonhome owners; that is, they are tenants. As those with low standards of living move into property they push down the value of it. As that city grows in size and in congestion, and as its government is called upon to render more and more service to its citizens in the way of help, its actual capacity to pay for those services is really declining through a fall in the value of real property.

Mr. MADDEN. That is on account of the reduction in the assessment of the value of the property?

Mr. BEARD. Yes, sir. I am very frank in saying to the people of that city "I see no way in which you can solve your problem unless you go to the State." Our States are going to be called upon more and more and in turn they will call upon the Federal Government for aid.

Mr. CAMPBELL. I was in a city somewhat similar to the one you are describing and I think down between Eighth Street and Fourteenth Street in that city a gentleman told me that a man could almost pick his residence there and get it if he paid the taxes on it—that the taxes were running anywhere from \$1,200 to \$3,000 a year on residential property.

Mr. BEARD. We have about reached the end of the age of light taxes. We have reached the beginning of the age of great pressure on the Government for increased expenditures. I find no way to solve the problem of expenditures. The only thing I say, and we say it in New York, in Newark, and in all large cities—all we can ask of public officials is to consider the whole program of expenditures at one time and decide upon the merits and relative importance of the various elements, instead of continuing to do as they did years ago—start in at the beginning of the year with the board of aldermen appropriating so much money and adding to the appropriations from time to time, never knowing how things stood until the end of the year.

The CHAIRMAN. Mr. Beard, going back to your plan in regard to estimates, do you think it is important that the estimates of the various departments as made by the department chiefs are an essential part of the estimates as presented to Congress?

Mr. BEARD. I think this body should have before it what the bureau chiefs have requested.

The CHAIRMAN. We have a law which has been in effect for a long time requiring the school board in the District of Columbia to present its estimates of the anticipated expenses for the next ensuing year. Then the law provides that the commissioners shall submit their estimates and shall also present the estimates of the board at the same time that they present their estimates. There has never been any consideration given to the estimates of the board. The estimates that are taken up and considered are the estimates of the reviewing body. I do not recall when any hearing was given on the report by the school board in the first instance, but the hearing is always predicated upon and relates only to the final estimates made by the Commissioners of the District of Columbia.

Mr. BEARD. I think that would be just a matter for Congress to determine—whether or not it thought there was information enough in the report of the subordinate officials to warrant having the reports and requests printed. I should think the committee in discussing the estimates might want to have before it what the teachers thought ought to be done, because Congress might want to choose some other policy than that recommended by the commissioners.

Mr. BYRNS. Is not that condition largely due to the fact that the commissioners generally reduce the estimates?

The CHAIRMAN. I think that is true. I think the teachers always make an estimate for an enlarged service in their recommendations.

Mr. BEARD. Yes, they naturally will fight for larger service. Now, one or two other matters contained in the

**Report on Retrenchment and Reorganization in the State Government**, prepared by the Committee on Retrenchment of the Reconstruction Commission of the State of New York—that I would like to bring to the attention of your body. You may all have this matter before you, but I want to call your attention to it now. It is very striking, the way in which we experiment in our States, and then the idea comes up here to Congress, as in the case of woman suffrage and prohibition and popular election of Senators. If you will examine the tendency of American thinking, I think you will see that it is entirely toward making the executive branch responsible for budget recommendations; that is, toward making the Chief Executive responsible for presenting to the legislature a complete financial plan with his judgment thereon. There is just one other point and I am through, and that is the question as to the legislative procedure.

**Mr. CAMPBELL.** Before you leave the subject of estimates, there is one matter about which I asked some one yesterday, and I would like to have your opinion upon it now. How would you expect to get a reduction in expenditures through an executive body when it is through the executive that the money is expended? The spender always wants more money than the appropriating body is usually willing to give him, and that has been the result in Congress for twenty-odd years. They have always asked for more, with the exception of two years, than the Congress gives them. With that in view, how do you expect to get a reduction in expenditures through the executive body?

**Mr. BEARD.** Only through developing the habit of looking to the Executive as the person who is responsible for administration and for expenditure of money, as well as responsible for the policy of the country. You can only do that when you put the responsibility on him and then you can direct public attention to that fact. That is the only answer I can give. Now, the fact that Congress cuts down the estimates submitted to it, is not, in my opinion, especially important because it is generally known, is it not, gentlemen, that the estimates are—may I use the word—padded? That is, every officer puts in more than he expects to get because he knows it is the practice of this body to reduce expenditures. I know that is true in the States. I should not lay very much stress on the fact that hitherto you have cut down the estimates.

**Mr. CAMPBELL.** My experience on appropriating committees is not that estimates are blindly cut, but that after the chief of the bureau or the person asking for the money has been cross-examined and grilled on the requests that he makes, it is shown that he is not entitled to all the money he has asked for and that is why the estimates are cut. Where the proper amount is asked for usually there is very little question and the estimated amount is granted.

**Mr. BYRNS.** I want to say right here that I think it is not altogether fair to say that the estimates are padded. There are a number of chiefs of bureaus, if you please, who follow that practice to which you have just alluded, but there are many, many instances that have come within my observation where the estimates are not padded. I think the members of the Appropriations Committee should take cognizance of the manner in which some estimates are

made, and look with suspicion on some estimates that come before them and with more or less assurance as to others.

Mr. BEARD. I can not speak for the situation here, but I know what it is in some large cities. I have in mind the story of a State officer who said that in presenting his estimates to the legislature he asked for a tractor under eight different names, hoping to get it under one of them. That is the common practice of State and municipal governments. Now, in this critical age of public expenditure, for it is critical and I think that ought to be borne in mind, there is a limit to the amount of money that any community can spend for governmental purposes. In the city of New York we figure the average family income at \$1,500 a year, and the city of New York is spending \$250 per year per family. There is a limit to what can be spent. I do not say that we have reached that limit, but I do say that we are passing into the danger zone. At this time all the American citizens and taxpayers can ask is careful management, careful study of the program presented in Congress, and careful management from year to year.

I have made a chart of your expenditures in columns before the war when things were more or less normal. Now, if you take a well-planned department you would normally expect, would you not, a something like normal curve of increase as we grow in population and expand. Here are your expenditures from 1897 up to 1916. You will see in some cases that the development shows a fairly steady curve. In agriculture you are running away from the normal line. If you take your rivers and harbors bill, you can see that there is no policy in it at all; it varies from year to year, it is up and down; you see how erratic it is. A well-managed concern would have a normal curve except in time of crisis. Now, take your deficiency bill. There is the line of your deficiency bill. You go down and then shoot up and then go down again. That would indicate the unskillful manner in which the preceding Congress had done its work.

Mr. MADDEN. The lines you have drawn are drawn to the period of the war?

Mr. BEARD. No; before the war. Well, it does come up to the fiscal year 1917; but that was before our entrance into the war. If you go back to 1914, you will find the same situation there.

The CHAIRMAN. Now, in order to get a correct picture of that situation, should you not have taken the several deficiencies and separated them into the different services, so that if the deficiency for agriculture ought to be reflected in the curve of agriculture, that could be done?

Mr. BEARD. That could be done; yes. This is an illustration of what I would call good budget work for your committee. I think Congress should have attached to it a statistician—and I will say that I am not a candidate for that position—so that you would have before you a picture of the financial situation of previous years, and you could have a chart showing just what had gone before. When you came to consider the estimates you could refer to this chart and say, "Gentlemen, we are away beyond that mark. Somebody must show us a cause for this difference. We are normal here; we will let that stand. There is a big drop here. What does that mean? What are they doing; dropping people off or cutting salaries?"

**Mr. TINKHAM.** Mr. Beard, I am left in a little doubt as to whether you would have a presidential budget or a budget which would be recommended by the Secretary of the Treasury.

**Mr. BEARD.** It is my thought that the budget of the Secretary of the Treasury would be a presidential budget because he is the President's financial adviser, the chief financial officer of the Executive, as I conceive the office.

**Mr. TINKHAM.** That is, you would have the Secretary of the Treasury as the budget officer, and then the budget would be presented to Congress by the President?

**Mr. BEARD.** Yes, sir. I think it would go through in that way. If you will go back to your history, you will recall that Hamilton was our first Secretary of the Treasury, and he wanted to establish the practice of going on the floor of Congress and explaining his policies. In regard to those policies Washington said, in effect, "Every great policy presented by Mr. Hamilton as Secretary of the Treasury was considered by me, and I assume responsibility for it." I think if you make the Secretary of the Treasury the budget officer, as you make the Secretary of State the foreign officer, and take out of his office all other functions and have it understood that as Secretary of the Treasury he is responsible for his particular line of work, then you will have a presidential budget.

In the matter of limiting Congress, that has been discussed. I call your attention to the fact that three States—Maryland, West Virginia, and Massachusetts—have put constitutional limitations on the State legislature. Maryland, for example, requires that the legislature, when it increases the Governor's requests, shall do so by special bill and provide the revenue to meet the appropriation.

**Mr. HAWLEY.** There is a millage tax in the bill?

**Mr. BEARD.** Yes, sir. I do not think that is an unfair restriction on the legislature, although the form might be modified in some particulars to advantage. It seems to me that the legislature should be required to consider and act upon the executive budget as one grand plan and should be permitted to reduce but not increase the estimates presented in the executive budget. Then if the legislature wishes to make additions it should do so in the form of special bills and at the same time make provision for the revenue to meet the additional expenditure. That throws the burden upon the legislature as to any decision in the matter without depriving it of any rights that it now enjoys. I am not one of those who believes that under our constitutional system you can apply the English system, because the English cabinet is nothing but a committee of the House of Commons.

**The CHAIRMAN.** Mr. Beard, referring to this chart, and especially to the curve showing appropriations for river and harbor work, that kind of work is different from the other services. An appropriation for rivers and harbors continues available until expended, whereas these other appropriations are covered into the Treasury at the end of the fiscal year, practically all of them that you have drawn, so that would make some difference there. A large appropriation in one Congress might contain appropriations for services so that in the next Congress it would not be necessary to make such a large appropriation, because the funds would be available for doing the



work. I think that system would account somewhat for the erratic curve that you have shown in regard to river and harbor appropriations.

Mr. TEMPLE. You can not draw the curve on the same plan when the method is a different method.

Mr. BEARD. This is a document just published by the reconstruction commission of the State of New York on which they had a hearing the day before yesterday. You may find it useful here. They analyze the budgets of the States up until the last one.

Mr. TEMPLE. In regard to the matter that you were discussing a moment ago, the limitation of the power of Congress would not be a limitation on their powers to reach an ultimate result but would it not rather be a limitation on the method by which Congress was to reach that result?

Mr. BEARD. Yes; a limitation on the method rather than a limitation on the power.

Mr. TEMPLE. It does not say, then, to Congress that you must not do a certain thing, but you must not do it in a certain way?

Mr. BEARD. Yes, sir.

Mr. TEMPLE. That would raise the question as to whether or not it is wise to require a certain authority to reach a certain result and then limit the means by which that result may be reached.

Mr. BEARD. To limit the means? It seems to me that you leave the power intact. We now limit many of the methods of Congress in the Constitution, such as the quorum, the calling of the roll, etc.

Mr. MADDEN. I take it that you do not exactly limit it, according to your suggestion, but you make different conditions upon which they reach the same result?

Mr. BEARD. Yes, sir.

Mr. TEMPLE. You might impose conditions that would make it more difficult to reach the same result?

Mr. BEARD. Yes, sir.

The CHAIRMAN. Thank you very much, Mr. Beard.

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FRIDAY, SEPTEMBER 26, 1919.

#### STATEMENT OF HON. JOHN J. FITZGERALD, NEW YORK, N. Y.

The CHAIRMAN. Mr. Fitzgerald, you are so familiar with the present system, and with its faults and shortcomings, and have such positive convictions with regard to what ought to be done, that I think the best thing to do would be to let you make such statement to the committee as you desire covering the whole subject.

Mr. FITZGERALD. Mr. Chairman, I have on a number of occasions, while a Member of Congress, expressed my views upon the subject of reforms in our fiscal system. When I received your communication, I was under the impression that the members of the committee might wish to make some inquiries, and, therefore, I did not come with a carefully revised statement of my views upon some of the fiscal reforms. Perhaps, however, as a result of my experience, I might say this, that, while there is a very extended sentiment in favor of a so-called budget system in the United States, there are

so many varieties of views as to what constitutes a budget that, unless there be agreement in advance as to what is intended, it is very difficult to reconcile the systems that are proposed by various persons. In England the so-called budget is, as has been stated by a pretty well-known writer, the speech of the chancellor of the Exchequer which he makes in the House of Commons in presenting his fiscal program for the ensuing year, and the legislation is considered in various stages in the House of Commons under various names, but in what we would consider the Committee of the Whole House on the State of the Union. My observation, further, is that many who are urging the adoption of a budget in the United States are really in favor of a very revolutionary change in our whole system of Government. They ignore the fact that in our laws we have now all the legislation essential for a budget system. We have laws that provide for the preparation and submission of estimates to Congress, and not only estimates of expenditures but estimates of revenues.

We have under the so-called Smith amendment a provision that if the estimated expenditures exceed the estimated revenues for the fiscal year, the Secretary of the Treasury is required to transmit those estimates to the President, who is required to inform Congress as to the manner in which the estimated expenditures can be reduced without injury to the public service, or what new form of loans and taxes shall be resorted to in order to supply revenues sufficient to meet the expenditures. That law has been ignored by the two Presidents who have been in office since its enactment, and I do not know of any way by which it is possible to compel the President to comply with the law. Therefore, a very essential feature of the budget system has been a dead letter with us. But that is not what is in the minds of many very sincere persons who are advocating a budget system. What they favor is practically the elimination of Congress from very much of the work which it now does. If I thought that Congress would abandon many of its prerogatives and adopt the particular system that many of those gentlemen have in mind, I might discuss it, but I do not believe that the time is in sight when Congress is going to abandon its so-called committee system for the examination of these estimates in committee, and simply consider the budget in the Committee of the Whole House on the state of the Union without any preliminary examination by committees. I venture that prophecy as the result of 19 years of somewhat careful observation and somewhat peculiarly intimate knowledge of Congressmen, their tendencies, dispositions, and self-estimation, and I was not in a peculiar way out of that class myself. We have representative government. Men are sent here representing particular constituencies, and it is impossible to adopt under our Government a system that will peculiarly fit the parliamentary system of government.

Then, again, systems that will fit and work admirably in a State, where the expenditures and revenues are insignificant as compared with the expenditures and revenues of the Nation, or which are admirably fitted to some municipality, will not be very suitable for use in the United States Government. Now, there is a reform which I believe is the most important one in order to bring about some

results, and I now refer to a speech I made in 1913, where I reviewed the whole history of the budget system. I spent some seven weeks in its preparation, and it was delivered in the House in 1913. It was an argument in favor of a return to the system of consolidating in one committee the consideration of appropriations. From my experience and from my reading, my mature judgment is that that will accomplish very substantial reforms. I know, of course, that there are two very serious objections to it. One is that it will concentrate power in a comparatively few hands, and those men would become very expert in the handling of the finances of the Government.

One very important reason why that should be accomplished and one that did not exist a few years ago is that after emasculating completely the power of the Speaker there is no one in the House of Representatives that occupies the position in Government that the Speaker formerly did, and you might by concentration make your chairman of the Committee on Appropriations of such power that he would be able as a leader of the House to withstand the raids of the Executive on the Treasury.

Mr. MADDEN. If that were coupled with the active cooperation of the Executive under existing laws you think it would have good results?

Mr. FITZGERALD. I think it would help, because in my experience under all kinds of administrations I found that the pressure for expenditure is as great, if not greater, from the Executive of the Government than it is from any other source.

The CHAIRMAN. It would be necessary to enlarge somewhat the Committee on Appropriations in order to do that, would it not, Mr. Fitzgerald?

Mr. FITZGERALD. I think that is a detail that could be worked out, but the other objection to it is that the men who now serve on committees that have control of the consideration of estimates naturally do not wish to release or surrender any power that they now have.

I pointed out before the constitutional convention of the State of New York at its session a few years ago that for the years 1913 to 1916 the Committee on Appropriations had reported bills at that time about \$100,000,000 less than the estimate submitted, while the other committees of the House had reported bills with \$11,000,000 in excess of the estimate submitted.

Now, that is something that is inevitable—I know it would be true of myself, so it is no reflection on anybody—but it is inevitable from the system; any committee that has control of the appropriation for one department and deals solely with that department will naturally appropriate more money for that department from the natural desire to see that the laws it enacts are executed in what it considers an efficient way, but it gets a viewpoint that in time becomes very largely the viewpoint of the department. You will find one or two members of the various committees that might be free from that peculiar influence of the department, but as a rule the committee becomes the instrument of the department. Now, in one committee the difference is this: A committee dealing with all the departments of the Government, in a very brief time becomes somewhat awed by the fact that if all the requests were granted the Government would be in a very bad situation.

cially. It does not have time, and is not so related to any one department that it gets any peculiar interest in it. It becomes a question of what is relatively the most important service to be advocated in the allotment of the appropriations.

Of course one of the things that has tended to increase very rapidly the expenditures of the Federal Government has been the growing demand on the part of the Federal Government to undertake all kinds of activities and services that previously were not contemplated. Just so long as we add to the activities of the Government the expenditures will increase.

The CHAIRMAN. Mr. Fitzgerald, before you leave the subject of the committees. If I remember, at one time you thought we might well have a supercommittee, composed of the members of the Appropriations Committee and Ways and Means Committee, and some of the other committees.

Mr. FITZGERALD. Some one has introduced a bill—have you the bills before the committee—it was Mr. Green of Iowa has introduced a bill that embodies what we used to term the “Sherley scheme.”

Mr. GARNER. Mr. Fitzgerald, wasn't this in your mind—at least it was in mine, favoring a central committee, as I do, and believing we would not get a central committee unless we included on it the members of the various strong committees, you were willing to make a supercommittee and make one committee of it?

Mr. FITZGERALD. It depends on what you call a supercommittee. I think the personnel is not so important. I think that if one committee were created the success of that committee would not depend on placing upon it the membership of the Committee on Appropriations. I think, of course, the personnel has something to do with it. A strong man at the head of that committee would have something to do with it and would be an important factor and a weak man would not.

But the so-called Sherley scheme, as I remember, which is incorporated in Mr. Green's bill, is, in my opinion, absolutely unworkable. It creates a Committee on Appropriations and on Ways and Means—of course the gentlemen on the committee will understand why I mention the Appropriations Committee first—the Committee on Appropriations and the Committee on Ways and Means; that at the beginning of the session of Congress estimates should be referred to that committee together with the estimated revenues, and that committee should report a resolution which would limit the amount that the various committees could report in the various appropriation bills and make out of order any amendments proposing to increase the sum incorporated in the bill. Well, the trouble about the scheme is that it is predicated upon an absolutely false and unworkable theory. The theory is that the Congress expects to spend every year all the revenue that is raised.

That may be true now, but the true theory is that there should be sufficient revenue raised to defray the legitimate expenses of the Government, and until you determine how much ought to be expended in order to maintain the Government properly you are not in position to determine what your revenues should be. If such a scheme as that were to be adopted, I believe it would not happen very frequently that any committee would report a bill less than the amount apportioned to it by this supercommittee, and that at

the end of the session after the Senate had finished its work and after the supplemental estimates would be transmitted to Congress, which would be necessitated either as a result of new legislation or because of unforeseen happenings, because of great emergencies arising in the public service, unless that committee kept a reserve out of the anticipated revenues the appropriations would be largely in excess of the revenues that had been set aside. I discussed that system a number of times and it never seemed to me to be put into workable form, because it is starting on the wrong end. It is apportioning the revenue for expenditure without any intelligent knowledge of what your expenditure should be, and you can not determine what ought to be expended by a department under a system that is in vogue until after an examination of the expenditure asked for that department has been completed. I think it would result in interminable confusion and chaos and would be abandoned if attempted.

The CHAIRMAN. The amount carried in the bill, after all, is simply the sum of the items of the various appropriations finally agreed upon?

Mr. FITZGERALD. Yes, sir.

The CHAIRMAN. And the determination of the amount could not be made before a determination was made of the amount of the items that should go into the bill or that composed the items in the estimates or the necessity?

Mr. FITZGERALD. There are two things, however, that have impressed me favorably. I have already stated that in my opinion the most important thing from the standpoint of the Congress is the consolidation of the appropriating jurisdiction of committees. Now, in the bill introduced by Mr. Good there are two propositions that I think would be of some value. One is the provision for the establishment of a bureau of the budget in the Office of the President. First, I would say the clothing of somebody in the Executive department with some responsibility for an examination of the executive estimates before they are submitted to Congress. I believe nothing would be accomplished by submitting it to the President. Congress has tried that for some time and can not get even the President to submit the estimates that the law requires when the estimated expenditures are in excess of the anticipated revenues. If a bureau were created under the President with some person under him, wouldn't that person be overawed by the Members of the Cabinet? We might have such a situation as we have had recently, where by reason of the exigencies the President was so occupied that he could not give any attention to it. I doubt whether there was any man in the public service, in my observation, that could have controlled the members of the Cabinet in their estimates being submitted to Congress. I do think, however, that some such power, if conferred upon the Secretary of the Treasury, who is under the law a congressional officer and reports directly to the Congress and not to the President, would be useful.

Back in 1872, when the late John Sherman was Secretary of the Treasury, in one of his annual reports he called attention to the fact, in transmitting the Book of Estimates, that the estimated expenditures exceeded the estimated revenues by some \$11,000,000 and he stated in his report that he did not attempt to revise the estimated



expenditures so as to bring them within the revenues, because of his very serious doubt as to his power to do it. I think if he had done it at that time it would have been a very valuable step in a very great reform.

I took up with several Presidents the question of having him authorize the Secretary of the Treasury to revise estimates before they were transmitted to Congress, but he replied in both instances—which I think is quite persuasive—that any law to that effect would demoralize his Cabinet if he singled out some member of his Cabinet to pass on the recommendations of all the other members of the Cabinet, and what recommendations they should submit to Congress for the conduct of their various establishments. But if Congress made the Secretary of the Treasury a real fiscal officer of the Government and took away those functions that have nothing to do with the financial functions of the Government, and put them somewhere else, and establish there an organization, which is sort of a preliminary to Congress, to try to check up and determine whether some of these estimates should be submitted, it would be a step that would help very materially in concentrating in the Executive his power of revising the budget. And I would change the law, the so-called Smith amendment, so as to compel the Secretary of the Treasury, as chief fiscal officer in his transmission of the anticipated expenditures and revenues, to submit the recommendations as to the loans and taxes that should be resorted to in case the anticipated revenues were not sufficient. Now, if he did not comply with the law Congress could bring him before it and ascertain why he failed to do it and compel him to do it; and it is unlikely that he would undertake to make recommendations of that character without consultation with the President, so that they would be in effect the recommendations of the President. But if the President does not do it, no committee of Congress yet has undertaken, or ever will undertake, to inquire why he does not transmit the information required by law, and the law is inoperative because of the failure of the President to observe it.

Mr. MADDEN. Your idea is that if we gave the Secretary of the Treasury power to do that, that we should also require him to make an examination into the estimates or necessities of the departments before he submitted the estimates to Congress?

Mr. FITZGERALD. He could either do that or his power would compel the departments themselves to exercise greater care.

When Mr. McVeagh was Secretary of the Treasury he undertook to reduce the expenses of conducting the Treasury Department. My recollection is that in three years he reduced the cost of the Treasury Department in the city of Washington about \$500,000 and abolished some 400 places without dismissing anybody. When they undertook to do it the various bureau chiefs would send their preliminary estimates to the Secretary and the Assistant Secretary then in charge of it concluded that they should conduct that bureau for less money and instructed his bureau chief to revise his estimates so as to reduce the cost of the bureau. In practically every instance when the bureau chief had his estimates under consideration for a few days he brought them back with the information that it was impossible to reduce, and then the Assistant Secretary said, "Well, I will do it myself," and went through it with a blue pencil and struck out some

items, and the bureau chief said, "That will destroy my bureau entirely if you eliminate that; let me see what I can do with it myself." And he took it away, and when he brought it back he had eliminated a number of items. Then in the department each year as vacancies occurred they were not filled, and no promotions were made until close to the end of the year, when there was a readjustment.

Now, the Secretary of the Treasury had this power; he had his estimates of what the revenues were to be. He had his estimates from the various departments, and he notified the departments, or some of them—it would have to be, of course, as a policy of administration—either that they were growing too rapidly and spending too much money, and if they did not reduce and do what he suggested that he would do it. And the head of the department would prefer to do his own eliminating rather than to have some one else to do it.

Mr. GARNER. There is this defect in your system: Suppose you lodged this in the Secretary of the Treasury and the President said, "I want you to go along with these estimates and send them to Congress"; your situation is just what it is now.

Mr. FITZGERALD. Then what happens is this: When the estimated expenditures of the administration are in excess of the estimated revenues the administration will be compelled to face that situation right at the beginning of the Congress, and the Secretary of the Treasury will submit his recommendations as to whether the Congress should authorize loans or additional taxes, and the character of the tax legislation, so that when the proposed expenditures came before Congress, at the outset there would also come the policy of the administration as to its methods of obtaining the money, and you would come as close to getting a fiscal statement that could be discussed and considered by the Congress as is possible.

Mr. BYRNS. Mr. Fitzgerald, it has been urged that that power should be lodged in the Executive rather than in the Secretary of the Treasury, because he would not feel at liberty to revise and correct the estimates made by his colleagues?

Mr. FITZGERALD. If the law imposes that, there would be no reason there why he should not do it.

Now, there is no choice, and the President is reluctant to do it, but if the law fixed it, he would do it.

The President of the United States is a busy man——

Mr. CAMPBELL (interposing). Now he is.

Mr. FITZGERALD (continuing). Trying to do the ordinary duties of his office; select competent officials, with numerous well-qualified advisers, both in and out of Congress; determine questions of policy; and he hasn't any time to devote to the details of the departments of the Government.

Mr. GARNER. And you think if we selected some individual that he would be overawed by the Members of the Cabinet?

Mr. FITZGERALD. I do.

Mr. GARNER. And his work would not be as efficient as if it were done by the Secretary of the Treasury?

Mr. FITZGERALD. You can see what would happen if a controversy between some individual and the head of the bureau had to be determined by the President, as to whether the individual in charge of that work or the head of the department was in the right; it would be a most uncomfortable situation for the President to take to over-

rule a Cabinet officer in favor of some man in a bureau. But if the head of the Treasury Department had the duty, he would be upon an equality with every other member of the Cabinet and clothed by Congress with the duty of revising those estimates, and it would be an entirely different situation; it might not be a pleasant one for some one who had the peculiar characteristics of Mr. Madden and myself, but it would be effective; and not only that, if he failed to exercise his power he would face the alternative of facing a searching investigation at the hands of the committee of Congress that had the work to do and he might much prefer to have his controversy with his colleagues in the Cabinet than to state his reasons for his failure to perform his duty in a committee room of the House of Representatives.

Mr. TEMPLE. Mr. Fitzgerald, would it relieve the situation any if, instead of creating a bureau for that purpose, it were made an organization under a personal secretary of the President?

Mr. FITZGERALD. Well, I don't know that it is necessary to establish a bureau——

Mr. TEMPLE (interposing). To make it presidential?

Mr. FITZGERALD. I think there is some advantage in giving the head of a department some leeway in working out his organization.

Mr. TEMPLE. If it were the President's own work through a Secretary——

Mr. FITZGERALD (interposing). Oh, I think you ought to concentrate it in the Treasury Department, because that is the financial department of the Government.

Mr. TEMPLE. The President's Secretary for that purpose is——

Mr. FITZGERALD (interposing). He is still a subordinate.

Mr. TEMPLE. Subordinate only to the President, however.

Mr. FITZGERALD. He does not occupy a position in the estimation of the Members of Congress and members of the Cabinet that the head of the department, the fiscal department, of the Government does. And if inquiries are made of him he is the President's Secretary and might not be in a position to divulge the instructions he got; but there is no use for a member of the Cabinet to rely on the domination of somebody else; he ought to be able to discharge the duties of his office according to the law and his conscience or quit; if he is to be overawed by the President or somebody else he is not fit to be there.

The CHAIRMAN. You would still be confronted with this fact, even though you divorced some of these activities that are now carried on by the Treasury Department; he has about one-third of the employees now in Washington; about 31,000 out of 100,000. Now, who will supervise the Secretary of the Treasury?

Mr. FITZGERALD. That is true; that is one of the things that can not well be avoided. But if you could get the system working properly, and if the Secretary of the Treasury aggravated the heads of these other departments, his department would be watched very closely by every other department in the Government, and unless he kept close to the line there would be abundant information by the underground channels that exist in Washington that his own department is not having the same scrutiny. I do not believe any system is without fault, but it seems to me that would do some good.

The CHAIRMAN. I suppose the independent audit, if that were established, would correct abuses and overlapping in the Treasury Department?

Mr. FITZGERALD. I was going to come to that, because it is the other suggestion that I think is a very desirable one.

Mr. GARNER. Before you leave this proposition of the budget, Mr. Fitzgerald, did you ever consider the question of Congress undertaking to do this through an organization responsible to Congress?

Mr. FITZGERALD. Well, I think, myself, that at least the preliminary estimates of expenditure should be prepared by the executive departments. I think you can not eliminate that. The Executive ought to submit to Congress its recommendations as to what its policies are to be and what amount is necessary to maintain the various services and activities of the Government. I doubt whether there is a possibility that Congress will abandon the committee system, from what I have known; it is a part of our institutions.

Mr. GARNER. Let me make you an illustration: Suppose Congress created a bureau and put Mr. Fitzgerald, of New York, at the head of it, to investigate, under the direction of Congress, and you investigate these various departments and bureaus month in and month out, so that when the estimates are sent to Congress that bureau would be able to revise them, so that the committee might have the benefit of its work during the entire year, rather than a committee for two or three weeks considering some particular work. That is information that we do not get now.

Mr. FITZGERALD. But the other side of it is that you have got to give the executive departments of the Government a certain amount of leeway. You can not have them so hampered that you can not have proper and efficient government.

After you have given the administrator the means to conduct his service and have an independent audit to see that the money was expended in the manner authorized, I think it would be destructive of successful administration if you had some other agency buzzing around making it impossible for men ever to act for fear that they might make a mistake. Of course, men who never make mistakes never do anything; that is the only way they can avoid mistakes. Mistakes are inevitable and the more successful a man is the more mistakes he is likely to make. You can not have him continually pestered by some fellow always watching him. They will make mistakes and they are inevitable, but I would make the auditing system of the Government independent of the Executive.

Mr. GARNER. How would you do that?

Mr. FITZGERALD. I think the suggestion in Mr. Good's bill would accomplish that as near as can be done. It provides for the appointment of a comptroller with the advice and consent of the Senate, and prevents his removal except for malfeasance.

Mr. HAWLEY. Would you make his audit a post-mortem only?

Mr. FITZGERALD. Well, I would clothe him with powers sufficient in case of necessity to make investigations into the transactions of the business of the departments.

Mr. HAWLEY. And what power would he have then if he found something he disapproved in his investigation?

Mr. FITZGERALD. Well, it depends on what you mean. If he disapproved the exercise of a discretion by the administration officials.

he should not be permitted to interfere with it. Suppose the Executive has a large amount of money, for instance, as you stated, for paving streets you have to rely upon his judgment as to what streets should be paved, and to have all the safeguards that can be established in a Government by the issuance of an advertisement and proposals for the doing of the work.

Mr. HAWLEY. But suppose he found on his investigation that it was a question whether the department had the right under the law to make that expenditure, what authority would you give him?

Mr. FITZGERALD. The same authority that he has now. For instance, if the expenditure is made now, the disbursing officer is responsible and his bondsmen are held, and under law now if the disbursing officer has any doubts as to his right to make the expenditure he can call on the Comptroller of the Treasury for an opinion as to whether an expenditure of which he is doubtful is proper under a particular appropriation.

Mr. HAWLEY. Suppose he has an auditor and he had knowledge of a proposed expenditure not warranted by law, would you give him authority to prevent that expenditure?

Mr. FITZGERALD. I do not understand, Mr. Hawley, just how that situation would arise. The auditor would not be likely to have any knowledge of the proposed violations of the law in expenditures.

Mr. HAWLEY. Here is a case that arose under the British Government: They let a contract for a large amount of beef and specified "on the hoof" in the contract, and that was understood to mean that the beef was to follow the soldiers to be killed in the camp for the soldiers; the company furnished part of the meat in that form, and part from cold-storage supplies. The comptroller found out that fact and called to the attention of the war department that the contract was being violated and that meat was being furnished contrary to the contract. The department took the matter up and compelled the company to refund 2 pence on the pound, and saved the British Government a large amount of money. Now, under the investigations that he made, under that authority he had, he found that they had no right to make the payment for cold-storage meat at the contract price. That is a case where it might arise.

Mr. FITZGERALD. Under our system for making contracts for supplies of the Government, I suppose he has to pay for them. Of course, you might check up your inspectors, but there is a limit to just how far you can keep inspecting; you can not have everybody in the United States inspecting everybody else; you have got to trust somebody even in the Government. They won't all be faithful to their trusts, human nature is human nature; but it is a question of how far to go in administering the Government.

Mr. GARNER. But you would permit the comptroller, in making his report to the Executive and to Congress, to make such comments——

Mr. FITZGERALD (interposing). I would require him to make such recommendations from time to time and such reports as in his opinion would tend to improve the efficiency of the public service.

Mr. GARNER. And if he was given a sufficient force——

Mr. FITZGERALD (interposing). But he ought to be an independent officer, free from the pressure of the Executive about his accounts, and he would have very great power. He would be a very impor-



tant official, but in a Government like ours you have had some officials with very extraordinary powers.

Mr. GARNER. And you would give him the right to appoint employees in his office outside of the clerical work?

Mr. FITZGERALD. I would. Not in this administration or any administration that anybody here has been connected with or interested in, but in some administrations I have known auditors that were a huge joke, and that should never have occupied the positions, and it was not so much that the money was wasted, it was the impairment of the efficiency of the administration of their office. The auditing system from time to time needs modifications and adjustments. And if the bureau were there for the auditor or comptroller, or whatever he would call himself, to adjust his affairs to some extent to meet the changing situation I think you would have a better situation than you have now. For instance, we have now the auditors for the various departments. The auditing could be arranged upon a different basis, so that you would have in this establishment a section that considered contracts exclusively; contracts for supplies for the Army and Navy in various establishments; they all run about the same. But you get the auditors for the various departments all divided up, and I think in the long run it results in unnecessary organization because of the consideration of them for the various departments.

Mr. HAWLEY. Would you have as a complement to that one purchasing department for all Government departments except probably the War and Navy Departments?

Mr. FITZGERALD. No; I think the suggestion in Mr. Good's bill to transfer the existing auditing establishment to the Comptroller General's Office would be the practical way to get at it and let them work it out in a way that would be satisfactory. You always can accomplish a reform much more readily if you do not attempt to interfere with somebody's job; the individual in time would be eliminated, but if you do not start off by attempting to eliminate the place some one wants and his friends think he should have you will make it easier; it may take a little longer but it would get up friction and you could not do it at all.

Mr. HAWLEY. Why not have one purchasing department for all branches of the Government with the exception, perhaps, of the Army and Navy Departments?

Mr. FITZGERALD. Well, it might be all right, but the task is so large and the extent of territory over which they are made so wide that a great part of it would necessarily be transacted by subordinates, and I doubt whether you would get the same efficiency. You can not have in the Government the same conditions that you have in private business. There are certain checks that are essential, and certain characteristics of human nature that make this very evident and you have to adapt your governmental system largely to the habits and customs of people. If you had one purchasing agent located in Washington with an organization over the United States and serious questions arose, it would be harder to see him than it would be the President of the United States, and less satisfactory, because he would have to rely so much on others that he would not know anything about what you are speaking about.

That is true to-day in some of the departments of the Government. The head of the department never can know or take the time

to ascertain the facts in matters about which complaints are made and brought to his attention. It is a physical impossibility.

Mr. BYRNS. Mr. Fitzgerald, have you any suggestion to make as to a change in the form of estimates as they are now made to Congress in the form of appropriation bills?

Mr. FITZGERALD. There is another thing in Mr. Good's bill that, in my opinion, would be unwise. That is the provisions requiring an alternative estimate to be submitted to Congress. If you want to grant an opportunity to let the Executive spread chaos there, let him submit an alternative estimate, which on its face may be much less than in the form in which the law now requires to come to Congress; Congress never would be able to get any information about it. Now, there are a great many sincere men who believe that the system of Congress is all wrong; that a large amount of valuable time is wasted; and that no good is accomplished by the character of the investigations that are made. I am not of that opinion. No Member of Congress can know or ought to know the minute details of the administration or any department of the Government, and in the investigation of estimates sometimes matters are gone into with great minuteness; but after all, the purpose is to ascertain policies and to determine, where possible, where money is unnecessarily and unwisely being expended and we have that now in the committee system.

You can not completely revolutionize our whole method of transacting Government business, either in the executive department or the legislative department. Congress would not know how to do any work if it were to abandon the committee system and simply sit as a committee of the whole in the House, without committee investigations. Our Government is so extensive and the topics considered touch every topic of human knowledge, that men who do not know about these things specially must rely on the investigations of men who have specialized, and any other methods of doing business would result in nobody knowing anything about anything. Men in whom the rest of Congress have confidence become as familiar with the various subjects that come within the jurisdiction of the committees on which they serve as it is possible for men to become under our elective system.

Mr. MADDEN. Well, as a matter of fact, you would come more nearly having experts under the present system and under the present methods than you could in any other way?

Mr. FITZGERALD. That is true.

Mr. MADDEN. Because, after all, the men sitting on these committees do take an interest and learn as much as necessary for the men to know, and sometimes become more familiar with it than the heads of departments where the activities occur?

Mr. FITZGERALD. Yes.

The CHAIRMAN. Unquestionably, any system that would result in any great degree in the committees relaxing the investigations they make into various appropriations would be a mistake. I agree with you in regard to that. But isn't it true; if we should consider all the appropriations before one committee, that investigation by the committee might be by functions or services rather than by bureaus, and we would at once come to the question of duplication of service or overlapping in service that we do not get now.

Mr. FITZGERALD. If the committee had an organization attached to it which could be sent into the various departments of the Government to conduct an independent investigation for the purpose of informing the committee about various matters which it desired to know, it would not in any way result in the committee lessening its activities, but it would enable the committee to get a vast amount of information from an agency in which it had confidence and which it could not obtain from any other source. That would be something that could be set up in the Congress itself.

An organization of that character could be established that would be permanent without regard to the political change of the committee. I served six years on the Committee on Appropriations in the minority, when the clerk and assistant clerk were both Democrats. At the end of that term the assistant clerk was taken by the Appropriations Committee of the Senate and afterwards made clerk of that committee. When Mr. Courts died, Mr. Sheild, who, I suppose, was a Republican—I always assumed he was a Republican—was made clerk by me, and the man here under him was promoted to assistant clerk. I think the same organization is here now under Republican control. The clerical organization of the Appropriations Committee, in all the knowledge I have had of it, has been retained for the purpose of efficiency, and regardless of political shifts in the control of the House. It is a peculiar commentary upon the civil-service system that right where the spoilsmen are supposed to be the most active the permanency or tenure is most durable. It has been recognized by the committee, although they have the opportunity of ratification of appointments made by the chairman, that the chairman should have the right to make appointments in a way to make his committee efficient. But this committee for six years has had its organization without change in changing political control. I suppose I might say what others might not—I believe the clerks of this committee do more work more efficiently than any clerks around the Capitol.

Mr. GARNER. Suppose we had a general committee of that kind attached to the service for the purpose of looking into the matters: wouldn't it be a good service?

Mr. FITZGERALD. I think it would. I think some organization of a consolidated committee could be built up that would be at times very effective.

There is a small organization that at times has made itself useful, and that is that Federal Bureau of Efficiency. While it was tucked away in a remote place, it was always regarded as more or less of an adjunct of the Appropriations Committee.

The CHAIRMAN. Mr. Fitzgerald, if we had an independent audit, wouldn't the men who are auditing the accounts and working in the various departments naturally be able to get a good deal of information and bring it to appropriating committees?

Mr. FITZGERALD. They would; but I would not put on the auditor technical work that might be required to get the information that the committee of Congress might want.

The CHAIRMAN. No; of course not; but matters of overlapping or inefficiency would naturally come to the auditor's attention.

Mr. FITZGERALD. Yes; that would be true; and that would be particularly true if his establishment was not organized by departments. There would be a sort of clearing house in which he could quickly ascertain that certain activities are being conducted in a number of establishments where they ought to be conducted in one to avoid duplication.

The CHAIRMAN. Considerable discussion has been had before the committee with regard to consideration of appropriations on the floor of the House. It has been advocated that the rights of Members to offer amendments to appropriation bills should be restricted in some way; and also it has been suggested that where amendments are offered in the Committee of the Whole it should require a two-thirds vote for adoption. Have you any suggestions to make with regard to those matters?

Mr. FITZGERALD. Well, I suggested at one time, Mr. Chairman, that, in my opinion, it was essential sometimes to deprive the individual Member of the right to offer amendments increasing the estimates of the Executive, but I do not know that he ought to be restricted to the recommendations of any particular committee of the House. If he could not submit amendments increasing the recommendations that the Executive submitted, it is a different thing. I doubt if the House would ever be willing to permit any committee to determine what should be recommended and then deprive the House of the right to review that. But if Members were prohibited from offering amendments to increase the amounts recommended by departments, and the same rule applied to the committees, then the practice that has been indulged in at times of the Executive deliberately submitting inadequate estimates in the knowledge and belief that the Congress itself would increase those amounts so they could be put in the position of embarrassment and compelled to spend the money that was forced on them would be eliminated.

Mr. MADDEN. Doesn't it frequently happen that departments or heads of departments come down and lobby for increases after they have submitted their estimates and the committees have reported?

Mr. FITZGERALD. Oh, undoubtedly; that is, to attempt to get Congress apparently to take the initiative for expenditures that they really originate, but do not wish to be publicly known to be advocating.

Another common practice has been for the head of a department, in an attempt to conduct his department economically, to require a bureau chief to reduce his estimates below what the bureau chief believed to be adequate. The bureau chief would inform the committee that he never believed that the sum given was sufficient; that it had been determined by the head of the department, and would try to excuse himself for the failure to conduct his bureau within the appropriation because of the action of the head of the department.

Mr. CAMPBELL. Isn't it the custom and practice for some of the departments to make an estimate somewhat low on the House side and then go up to the Senate and have the estimate increased to the amount the department wants; isn't that done frequently?

Mr. FITZGERALD. That is done sometimes, when the estimates are made and the information is not available upon which the subsequent

estimates are based; but if the laws are very strictly enforced by Congress regarding supplemental estimates, there is no trouble about it.

Mr. CAMPBELL. The increase in the Senate are made without any supplemental estimates?

Mr. FITZGERALD. That is true; made on the request of some one in the bureau; but as I am no longer a Member of Congress I hope the committee will not expect me to be too severe in my comments of senatorial methods.

The CHAIRMAN. I have been making some investigation with regard to the increases by Congress, and there have been in the past few years practically no increases over the estimates unless they were based on supplementary estimates made by a department which, after all, was an estimate.

Mr. FITZGERALD. I discussed at one time with one of the Presidents the question of the so-called congressional extravagance. The belief was very prevalent that the large appropriations were due to the acts of Congress, regardless of the suggestion or proposal of the Executive. I made the statement then that including the appropriations originating in Congress that the total appropriations for a period of about 20 years, with only two exceptions, has been less than the total estimates submitted to the Congress by the administration for the conduct of the Government each year. I think, with the exception of two years—and one year was accounted for by the fact that Congress by its own initiative had appropriated \$50,000,000 for the Panama Canal.

Mr. TEMPLE. In the last year the original estimates amounted to a total of a little over \$30,000,000, while the total appropriations made in the same year was a little over \$25,000,000,000; that is not a normal year, of course.

Mr. FITZGERALD. No; just now and during the period we were in the war. Taking the fiscal years 1917, 1918, 1919, and the estimates for 1920, I doubt if it would be a fair basis of comparison, because in the first place nobody knew what we were likely to spend while we were in the war, and they had to enlarge the organization all around to such an extent that it would not be a fair basis to say just how much anybody knew as to what would be required in the immediate future. But I am eliminating those years.

Mr. TEMPLE. But the same tendency appeared to overestimate?

Mr. FITZGERALD. I am taking 20 years, covering Democratic administrations and Republican administrations, Democratic control of Congress and Republican control of Congress, and divided control of Congress. My recollection is that, with the exception of two years, the total appropriations by Congress, including the appropriations that originated in Congress, was less than the total estimates submitted to Congress for the conduct of the executive departments of the Government. So that seemed to me to eliminate the theory of congressional extravagance as compared with executive extravagance.

The CHAIRMAN. They were less by \$500,000,000 on estimates of \$17,000,000,000.

Mr. FITZGERALD. One thing that you suggest, Mr. Chairman, in my opinion is not a wise thing; and that is a joint committee on the



matters. I believe that the House in order to maintain its dominance and precedent ought not to tie itself up with the Senate committees. In the first place, the Senate has a permanent tenure and continues its organization while the House shifts and ought to exercise its functions as independently as possible from the Senate. I think it would lessen materially the influence of the House if tied up in a joint committee. The House originates those bills. That practice has continued so long that the Senate, while it proposed once or twice to originate them, it has never attempted that innovation. Everyone knows that the investigations made by the Senate never cover the ground covered by the House. There are some special topics that the House has investigated that the Senate will investigate, but their investigations are largely confined to matters that were not included in the bill as passed by the House, or to matters that are submitted to the Senate that were never submitted to the House and the importance of the House maintaining its domination is great, because I think in only one instance in 19 years an appropriation bill was enacted into law less than it passed the House. There may have been other instances, but I do not recall them.

The CHAIRMAN: Mr. Fitzgerald, you will recall that during the past year the House put a provision on the deficiency bill for a commission which was to be composed of the Members of the House and Senate. And then, too, there has been a great deal of demand that this committee should only meet jointly with a committee of the Senate and that the committees should act together. In response to that sentiment it seemed to me that perhaps if there could be a joint committee or some committee somewhere studying the shortcomings of the statutes or of the rules of the House, or if it was the Senate, the rules of the Senate, so that we might get a dollar's worth of service for every dollar appropriated.

Mr. FITZGERALD. But you never get any place with these joint committees. That is the trouble; you do not accomplish anything. Members of Congress are too busy with the work that is normally assigned to them and if they do have time to devote to a special committee like that, neither House would pay any attention to the recommendations of the committee.

Mr. MADDEN. While if the committee is composed of the Members of the House and members that will have final jurisdiction of the subject they may.

Mr. FITZGERALD. They won't have time to devote to it. If the committee of the House that has jurisdiction of the estimates for expenditures does its work properly it hasn't time for anything else.

The CHAIRMAN. You think whatever is done along that line should be done by a committee of the House for its organization, and another by a committee of the Senate for its organization?

Mr. FITZGERALD. Yes. Of course, if it was supposed to have what was known as an Executive budget that was to be prepared and submitted and referred to the committees of Congress, and without being considered in the minute detail that they are now, but considered in the committee of the whole and on the general policies discussed and with some inquiry occasionally on some special item, and without any power of either committee of the House to increase

any items in the Executive budget, why a joint committee in that respect might be of some advantage in a preliminary investigation. It could not be very extensive for the purpose of participating in the discussion, but outside of that I doubt whether it would be worth much.

Now, there is a very large number of men who have devoted a great deal of time to imposing the fiscal systems in the municipalities and States, who have done very good work, and who believe that that is the proper method, and I am not prepared to say that it is not the best method, but with my knowledge of Congress and its methods of work, I think that it would be such a revolutionary change that there is no possibility of its being adopted, and the question is how to accomplish something without completely revolutionizing the existing system.

Mr. Good. Mr. Fitzgerald, is there not a middle ground between those who advocate what is known as the commission system and the executive-budget system as it is advocated by those who believe that the Executive should formulate the budget, and that that budget should go through practically without examination or without change? Now, even though the Executive should formulate the budget, what is to prevent the committees of the House from taking up that budget with the same care and investigation and scrutiny with which they take up—

Mr. FITZGERALD. The executive does prepare the budget now.

Mr. Good. Yes.

Mr. FITZGERALD. The laws relating to the preparation and the submission of an estimate for expenditure of appropriations are as complete and as exhaustive as it is possible to make them, and I stated them here one time in a speech on the floor of the House. I read from the Congressional Record of June 24, 1913 [reading]:

In accordance with the various statutes all annual estimates for the public service must be submitted to Congress through the Secretary of the Treasury and included in the Book of Estimates. The estimates must be transmitted only through the Secretary of the Treasury, and he is required to have them properly classified, compiled, indexed, and printed. The estimates must be prepared and submitted by the heads of the various departments and other officers required to make estimates to the Secretary of the Treasury on or before the 15th day of October. If they be not so submitted, the Secretary of the Treasury must cause to be prepared in the Treasury Department on or before the 1st day of November estimates for such appropriations as in his judgment shall be requisite in every such case and include them in the Book of Estimates. Estimates, except those for sundry civil expenses, must be prepared and submitted according to the order and arrangement of the appropriation acts for the year preceding, and any changes in such order and arrangement and transfers of salaries for one office or bureau to another office or bureau or the consolidation of offices or bureaus desired by the head of any executive department may be submitted by note in the estimate.

The Secretary of the Treasury is required to rearrange any estimates submitted to him which do not conform to the order and arrangement of the prior appropriation act. All estimates are required to be included in the estimates submitted to the Secretary of the Treasury for insertion in the Book of Estimates and special or additional estimates for that fiscal year must only be submitted to carry out laws subsequently enacted or when deemed imperatively necessary for the public service by the department in which they shall originate in which case the special or additional estimate must be accompanied by a full statement of its imperative necessity and reasons for its omission in the annual estimates.

In communicating estimates of expenditures and appropriations to Congress, the heads of departments must specify as nearly as may be convenient the sources from which such estimates are derived, and the calculations upon which they are founded, and must discriminate between such estimates as are conjectural in their character and such as are framed upon actual information and applications from disbursing officers. They must also give reference to any law or treaty by which the proposed expenditures are authorized, specifying the date of each and the volume and page of the Statutes at Large, or the Revised Statutes, as the case may be, and the section of the act in which the authority is to be found.

All estimates for the compensation of officers authorized by law to be employed must be founded upon the express provision of law and not upon the authority of executive discretion. If the head of a department, when about to submit the annual estimates, finds that the usual items of such estimates vary materially in amount from the appropriations ordinarily asked for the object named, and especially from the appropriation granted for the same objects for the preceding year, and if new items not theretofore usual are introduced into the estimates for any year, he must accompany the estimates by minute and full explanations of all such variations and new items, showing the reasons and grounds upon which the amounts are required and the different items added.

Not only is the amount believed necessary to be appropriated required to be stated in the estimates, but the Secretary of the Treasury must annex to the estimates a statement of the appropriation for the service of the preceding year which may have been made by former acts. He is also required to submit a statement specifying in detail the number and class of officers and employees of every grade and nature, with the rate of compensation to each, that may in his judgment be necessary to conduct properly the business of collecting the revenue at each port of entry in the United States, together with an estimate of the amounts required for contingent expenses at each of said parts and for such additional expenses of the services as can not be otherwise specifically provided.

That requires as comprehensive and detailed information as to the proposed appropriations as it is possible to obtain, and they are arranged; but I doubt if the Book of Estimates is very frequently referred to by anybody.

Mr. GOON. It is true, Mr. Fitzgerald, is it not, while the law provides for detailed estimates by each executive department, that one department rarely considers what the other department is asking and the result is that the Secretary of the Treasury not having power to reduce or to coordinate, we find extravagance creeping in by two departments estimating for the same thing and getting money for the same thing?

Mr. FITZGERALD. You find duplication. It is natural that every administrative officer should be ambitious to extend the activities of his department as much as possible. The administrative officer who is content just to go along without any improvement or enlargement of the service, is not, as a rule, a very efficient man. The human element enters there. Everyone is anxious to increase the activity and power of his particular establishment, and there necessarily must be some enlargement with the growth of the country and the development of the country, and it is very often a difficult thing to determine, and it rarely can ever be definitely determined, as to just how rapid the enlargement and development should be. That is a matter that must rest in somebody's judgment. There are two theories. One is that the executive should determine the extent of the service. The other is that the executive shall propose it, and the legislative branch shall determine. It frequently happens that the executive department of the Government is opposed to some enlargement of some

activity, and the Congress itself insists upon greater activity by making available a much larger sum for expenditure than the department has requested, and in nearly every instance that has come under my observation the department has shown a more or less commendable spirit of reconciliation to the action of Congress by proceeding to expend the money for that service.

Mr. GOOD. Mr. Fitzgerald, studying the Federal provision, that is, the provision of March 4, 1909, rather led me to conclude that if that order was a little bit reversed it would be an improvement, and I had that in mind when I drew that bill. That is this, that now, on or before the 15th day of October of each year, each of the members of the President's Cabinet must make his estimate. That goes to the Secretary of the Treasury and the Secretary of the Treasury arranges, as you have described, in the minutest detail. When he transmits it to the Congress on the 1st of December, at the opening of Congress, he is also, under this provision, directed to transmit a copy of it to the President in order that the President may make recommendations to Congress.

Mr. FITZGERALD. Yes; in the event that the estimated expenditures exceed the estimated revenues for the next year; that is my recollection.

Mr. TEMPLE. No; it is not a copy that is mentioned, but a detailed statement. The language is as follows:

The Secretary of the Treasury shall transmit the estimates to Congress as heretofore required by law and at once transmit a detailed statement of all of said estimates to the President.

Mr. FITZGERALD [reading]:

If the estimates for appropriations, including the estimated amount necessary to meet all continuing and permanent appropriations, shall exceed the estimated revenues, the Secretary of the Treasury shall transmit the estimates to Congress as heretofore required by law at once transmit a detailed statement of all of said estimates to the President, to the end that he may, in giving Congress information of the state of the Union and in recommending to their consideration such measures as he may judge necessary, advise the Congress how, in his judgment, the estimated appropriations could with least injury to the public service be reduced so as to bring the appropriations within the estimated revenues, or, if such reduction be not in his judgment practicable without undue injury to the public service, that he may recommend to Congress such loans or new taxes as may be necessary to cover the deficiency. (Mar. 4, 1909. Stat. L. vol. 35, p. 1027, sec. 7.)

I was a party to the preparation of that, as I was a member of the committee at the time, and the object was, if possible, to have the head of the Government submit to Congress at the time the estimates of appropriations were submitted the fiscal policy of the Government as to the revenue measures that would be relied upon in order to supply the money for the expenditure, if the Congress determined to put that money at the disposal of the Executive.

Mr. GOOD. The indications are that for the next few years the expenditures will exceed the revenues.

Mr. FITZGERALD. Then Congress, when it starts its work at the beginning of each session, ought to know what the policy of the administration is.

Mr. GOOD. Yes.

**Mr. FITZGERALD** (continuing). As to the means by which it shall obtain the revenues necessary to meet the expenditures. Then when Congress commences its work it has the fiscal plan of the administration, and it can make some intelligent study. It will not be subjected to the very unfortunate situation either of waiting upon the administration for the administration to make its mind up, or attempting to formulate plans of its own, or if they should not happen to be satisfactory to the administration, to have the administration precipitate some new plan.

**Mr. GOOD.** But, Mr. Fitzgerald, now take the short session of Congress, for example, and the Secretary transmits the Book of Estimates to Congress at the beginning of the session. He also transmits a copy to the President. The Secretary finds that the anticipated revenue will not meet the estimated expenditures.

Then the President must commence immediately an investigation as to where he can cut the expenditures, or increase the receipts. Does it not seem that it would be better to change that around somewhat? To recognize the principle of requiring the President to do it is right, but ought he not to do it in the first instance and he alone transmit this to Congress, so that the Congress, during the short session, for instance, would not have a Book of Estimates for one standard of appropriations, and the President following within a month or two—and it would take him that long to analyze and find out whether he would decrease or increase—and if he decided to increase expenditures, then to send in a new Book of Estimates?

**Mr. FITZGERALD.** That is why I say it should devolve upon the Secretary of the Treasury so that when his Book of Estimates came out it would contain these recommendations. Of course they do not wait until the last minute to know what the situation may be. They may not know in the executive departments the exact details, but they have a pretty definite idea long in advance of the first Monday in December whether the contemplated expenditures for the next fiscal year are likely to exceed the estimated revenues from the sources that are then in existence, and any administration that is efficient would not necessarily wait until the last minute for conferences with the President.

As a matter of fact, in the recent past when the methods of obtaining the enormous sums to finance our activities in the war were necessary, the methods that were finally adopted did not originate with the President. They originated in the Treasury Department, because the Treasury Department is the department that has the information, and those recommendations are prepared and discussed with the President, and it is only the great questions of policy——

**Mr. MADDEN.** And they have experts that can tell them what any change in the fiscal policy will mean?

**Mr. FITZGERALD.** Yes. Then you would have a real financial establishment, and you would have more of a definite fiscal policy presented to the country and to Congress.

**Mr. BYRNS.** I was just about to ask if you construe that provision to mean that the Secretary of the Treasury shall delay submitting his estimates to the President until he sends them to Congress?

**Mr. FITZGERALD.** That is what it says.



Mr. GOOD. It says at the same time.

Mr. BYRNS. It says "at once."

Mr. FITZGERALD. Yes; at once.

Mr. BYRNS. The question is whether that applies to the time he sends them to Congress or to the time he receives them from the departments.

Mr. FITZGERALD. I know what was in the minds of those who framed this law. The Secretary of the Treasury has all these estimates till 1st of November. The President delivers his message to Congress at the opening of Congress. The purpose was, if possible, to have the situation such that in that annual message the President would discuss the financial condition of the Government at the opening of the session. That information would then be submitted. You cannot compel the President to make a recommendation, but you can compel the Secretary of the Treasury.

Mr. MADDEN. The thought was that in the submission of these estimates to the President it would convey the information to him that would enable him to discuss the question when it came to the Congress.

Mr. FITZGERALD. That was it; and the belief was, if possible to place the responsibility upon the head of the administration for the fiscal plan. It has not been operative with the Presidents because, I suppose, of the multitude of other duties of the Presidents. They have ignored that provision and never have made such a recommendation.

Mr. MADDEN. As a matter of fact it is almost impossible for them to do it, is it not?

Mr. FITZGERALD. I think it is very largely impossible, because, while we could require the Secretary of the Treasury to make his recommendation and commit himself, it might not be advisable for the President, although he may be somewhat more or less committed by the Secretary of the Treasury's recommendation; perhaps he ought to be a little freer to change if the necessity should arise. But you would have a policy from the financial department of the Government.

Mr. MADDEN. The Secretary of the Treasury would not be likely to submit a policy that would not be approved by the President?

Mr. FITZGERALD. Oh, it would be the policy of the administration, no doubt.

Mr. MADDEN. And, then, if the Secretary of the Treasury had the experts at his disposal to furnish him the information upon which to submit, while the President is engaged in other activities—

Mr. FITZGERALD. So much devolves upon the President that he cannot possibly handle it.

Mr. GOOD. In his annual message delivered on December 7, 1913, President Wilson did attempt to comply with this provision. He said:

The plans for the armed forces of the Nation which I have outlined, and for the general policy of adequate preparation for mobilization and defense involve of course very large additional expenditures of money—expenditures which will considerably exceed the estimated revenues of the Government. It is made my duty by law, whenever the estimates of expenditure exceed the estimates of revenue, to call the attention of the Congress to the fact and

suggest any means of meeting the deficiency that it may be wise or possible for me to suggest. I am ready to believe that it would be my duty to do so in any case; and I feel particularly bound to speak of the matter when it appears that the deficiency will arise directly out of the adoption by the Congress of measures which I myself urge it to adopt. Allow me, therefore, to speak briefly of the present state of the Treasury and of the fiscal problems which the next year will probably disclose.

Mr. FITZGERALD. I had overlooked that instance; but as a rule it has not been observed.

Mr. GOOD. I think that is true, but even then——

Mr. FITZGERALD. And in making that statement I do not intend to be making an improper criticism of the President.

Mr. GOOD. Oh, we understand that.

Mr. FITZGERALD. The result of the operation of the act led me to the conclusion that it was not the practical way to get the information. The tendency has been to devolve so much upon the President. He can not do more than a very small fraction of what Congress places upon him. He must rely upon some other persons to discharge the multitudinous duties that are supposed to be devolved upon him.

Mr. GOOD. Is it not true that we have not given him any machinery with which to do that?

Of course he could take the machinery of the Treasury Department, or perhaps could do it through his efficiency bureau; but outside of that he has had no constant force that would enable him to make a detailed study——

Mr. FITZGERALD. And what is more, he should not be required to concentrate on details. He ought to be free to discuss merely the larger problems of policy, while some other official would more properly discuss details. For instance, the President might believe we ought to resort to loans, but it would be the business of the Secretary of the Treasury to work out the detail of the plan and submit that.

Mr. GOOD. The act of March 4, 1909, however, did throw upon him just that responsibility?

Mr. FITZGERALD. Well, it did; but it was an attempt to solve the problem, and it was supposed that that would be a step in the right direction; but it has not worked out satisfactorily.

Mr. MADDEN. In fact, it has not been executed? The law has not been executed. That is the way to put it, is it not?

Mr. FITZGERALD. I would put that on the ground that perhaps it has not been the best suggestion that could have been made, as experience has demonstrated.

Mr. MADDEN. You think that the modification of that by putting the responsibility upon the Secretary of the Treasury would meet the case?

Mr. FITZGERALD. I think it is worth trying. My experience has been that very few suggestions either result in as much benefit as their authors anticipate, or, on the other hand, in as great disaster as their opponents predict; but I think it is a suggestion that might be carried out, and probably would be beneficial.

Mr. PURNELL. If you saddle this responsibility upon the Secretary of the Treasury he ought to be able to give it his personal attention,

ought he not? That is, as I get it, the gist of the hearings before this committee have developed the one predominant fact that you must fix responsibility in the first instance. I can not for the life of me see how the Secretary of the Treasury, with all of the numerous details that he now has to look after, could possibly give the necessary attention to this additional business, as the fiscal agent of the Government.

Mr. FITZGERALD. He has in his department all of the organization and all of the activities from which the information would be obtained.

Mr. PURNELL. There are some 15 or 16 activities in his hands.

Mr. FITZGERALD. All the departments concerned with the collection of revenue are under him, and he would have before him all the information as to the proposed expenditures. Now, you might get the Secretary of the Treasury some time to suggest that some particular activity of some other department might not be wise as the thing would be developed. If not, he would know from the operation of the existing revenue laws and the fiscal conditions of the country, information about which is more likely to be in his department than elsewhere, the trend of public sentiment, and what would be the most desirable means of obtaining revenue. You see, we are in a very different situation than we ever have been in before. Before we got on this enormous scale of expenditures there were two sources of revenue upon which the question of policy is a little different now.

You could get practically all the revenue that was required from those two sources. One was the tariff and customs duties and the other was the tax on alcoholic beverages. The expenses of the Government are so enormous now that nobody believes, no matter what the tariff revenue law is, even if a maximum revenue was operative, regardless of what kind of a tariff there was, that we could get sufficient. It would be an insignificant sum. There has been eliminated all possibility of getting any revenue from a tax on alcoholic beverages. It used to be a popular thing, if a little additional revenue was needed, to just put a little more tax on whisky and a little more tax on beer, and you got pretty nearly enough to make up your deficit. Now we are compelled to resort to methods of taxation that have not heretofore been touched by the Federal Government.

Mr. PURNELL. The Secretary of the Treasury has some 15 or 16 governmental activities under his charge at the present time, and the worst objection I see to it is the fact that he would not only have to make a survey of the other departments of the Government, but would pass upon his own employees and upon his own estimates.

Mr. BYRNS. Of course, somebody must do it.

Mr. FITZGERALD. Somebody must do it. You must place the responsibility somewhere, and I am suggesting that from my experience and observation it seems to me—I do not speak positively, but I say perhaps—that would be the place where you would get the best results. Now, I may be mistaken.

Mr. GOOD. Is there anything further?

Mr. BYRNS. Mr. Fitzgerald, we have a number of committees on expenditures in the departments. We are all supposed to know that

they rarely function. I think somebody stated the other day that they rarely ever function unless there is a majority of Congress of the opposite party to the administration.

What have you to say as to the advisability of amending the rules so as to abolish those committees and appointing one committee on expenditures, and giving it importance somewhat akin to that of the more important committees of the House?

**Mr. FITZGERALD.** The trouble with those expenditures committees, Mr. Chairman, is this: Except under very exceptional circumstances, if those committees should do their work it would take an enormous amount of time and be an absolutely thankless job, and the average Member of Congress is so occupied with so many other things that he has not the time to do that work; and in addition to that——

**Mr. PURNELL.** They have not got any power, either.

**Mr. MADDEN.** Yes; they have an abundance of power.

**Mr. PURNELL.** They have?

**Mr. FITZGERALD.** And the facts that are supposed to be evolved by those committees are practically the functions of an auditor, and the work that they are supposed to do ought to be done in an administrative office. You can not compare the work of those committees with the auditing that goes on in Great Britain. The executive is practically selected from the House of Commons, and it represents the majority party in the House. The controller general, or whatever his name is over there, reports to the House. Two years ago I was reading a debate in the House of Commons, and one of the complaints was that the audits were reported to the House so long after the expenditures were made that they were practically of no value to them. Those committee chairmanships had a value at one time that they do not have now. Before the House Office Building was erected, the chairmanship of one of those committees was a very important thing, because it gave the chairman an office, and it gave him some place to do his work.

I think the Belknap investigation, which resulted from the investigation of the War Department, was one instance, and then a few years ago there was an investigation conducted of some of the activities of the Agricultural Department—the Weather Bureau, I think—when Mr. Littlefield, of Maine, was here, but the instances in which those committees can do their work are very few. In the first place, they are investigating what is gone by.

**Mr. TEMPLE.** The Committee on Expenditures in the State Department is just now investigating loans made to Russia since the overthrow of the Imperial Government of Russia. Their hearings are being printed.

**Mr. FITZGERALD.** I say there are some occasions when they would do that, but that is a very unusual situation, because of the very peculiar conditions existing. We provided for the advancement of money to other nations, and some money was loaned to the Russian Government, and then there was chaos, and it was difficult to tell to whom it belonged. I do not believe that those committees under our present system can ever be made, except under unusual circumstances, of very much value.

Mr. BYRNS. Do you think that if one general committee on expenditures were created, which would necessarily rank with the more important committees of the House, if given a proper staff it would be of value?

Mr. FITZGERALD. My theory is that that auditing work ought to be done by an auditing bureau. There ought to be a bureau that had time and opportunity for nothing else.

Mr. MADDEN. And whose business it was——

Mr. FITZGERALD. To do that.

Mr. MADDEN. And which had experts for that purpose?

Mr. FITZGERALD. Yes.

Mr. HAWLEY. In the English Government the controller and auditor general has a permanent staff under him, and he does all this. They have a public accounts committee to which this auditor reports.

Mr. FITZGERALD. They report about two years after the expenditure.

Mr. HAWLEY. Suppose those reports were currently made, under a system such as Mr. Byrns has referred to?

Mr. FITZGERALD. You can not possibly have them current. For instance, you can not make your expenditures absolutely within the fiscal year. Under a covering-in act——

Mr. HAWLEY. Suppose it was provided that the controller and auditor general would report anything that he finds which was improper promptly to this public accounts committee, and then they would use his staff as a means of obtaining information?

Mr. FITZGERALD. You could have that report made by the auditor or the comptroller general, whatever you would call him, who would be doing that work; but the trouble about all those things is that the expenditure is made, the work is done, and very frequently the official has passed out and unless it were a matter which would involve some criminal action, which is very rare, or unless there was disclosure a situation where some remedial legislation was required, it would not be much use to us.

Mr. HAWLEY. If the comptroller general or auditor general made reports current to this accounts committee and they took action promptly, the official would not be out; he would be still there. It might be done in a few days.

Mr. FITZGERALD. Under a covering-in act expenditures are frequently made under appropriations for two years. Likewise under an appropriation for two years after the end of a fiscal year.

Mr. HAWLEY. But when the expenditure was made he would find it out and report if anything was incorrect in his judgment.

Mr. FITZGERALD. I doubt if there is very much to be gained from that, from my experience. I think the thing is that the auditing by a comprehensive and efficient auditing system, with provisions for reporting from that body—that organization—to the Congress might be serviceable. Otherwise, I do not think so.

Mr. GOOD. Have you anything further to say, Mr. Fitzgerald?

Mr. FITZGERALD. No, sir; nothing further.



SEPTEMBER 26, 1919.

**STATEMENT OF DR. FRANK J. GOODNOW, PRESIDENT OF  
JOHNS HOPKINS UNIVERSITY, BALTIMORE, MD.**

The CHAIRMAN. Doctor, you are President of Johns Hopkins University?

Dr. GOODNOW. Yes, sir.

The CHAIRMAN. What opportunity have you had to study the question of governmental finance?

Dr. GOODNOW. During President Taft's administration I was a member of his Commission on Economy and Efficiency, and one of the things which we worked on at that time was a national budget for the National Government. Since I have lived in Maryland I was appointed chairman of a commission in 1916 on economy and efficiency and one of the purposes of that commission was to carry out or frame either a law or a constitutional amendment which would adopt the principles of an executive budget in Maryland. We did frame a constitutional amendment which was adopted by the legislature of 1916. It was afterwards adopted by the people and then went into effect and it is now a law of the State of Maryland.

The CHAIRMAN. Have you made any study of foreign systems of finance?

Dr. GOODNOW. Only in a very general way.

The CHAIRMAN. Have you written any works or treatises on this subject that have been published?

Dr. GOODNOW. Not particularly on finance, but I have written a number of books on the general principles of government and administration. I have been working on that subject for the last 30 years.

The CHAIRMAN. We would be very glad to have you make a general statement on the subject of budget making, Doctor.

Dr. GOODNOW. Perhaps the best general statement that I could make would be one particularly in connection with the experience in Maryland. At the time that this commission on economy and efficiency was appointed the State of Maryland had, as a result of the methods of making appropriations, accumulated quite a large deficit and the people in the State generally were somewhat alarmed in regard to this continually recurring deficit, and they made up their minds that something should be done. That was the main problem that the commission had in mind. The general principles which were incorporated into the amendment, I might say, were two. In the first place, as Dr. Beard has said, the crucial point was to get consideration of every single appropriation that was to be made by the State at one time so that the persons responsible for the appropriation of the State's money could have a birdseye view of the situation and at the time the appropriations were made could make provision for the necessary revenue. Now, in order to do that, in the first place, provision was made in the amendment for an executive revision of all of the estimates that were to be sent in by the departments in which all State governmental activities were located and also by the institutions which were aided by State moneys. Under the plan that was adopted the estimates have to go in at a certain time of the year, or every two years, at the biennial meeting of the

legislature, to the governor. The governor has the right, with certain exceptions, to revise these estimates and is authorized, while not required by the amendment, to give public hearings with regard to all of the appropriations. Then he has to send in to the legislature, in the first place, what is called under the amendment a budget, which is an estimate of appropriations classified in such manner as he sees fit, and the method which he has adopted, in the one experience which we have had with the plan, has been a classification along the lines of governmental functions, that is, for State defense, public health, education, etc. Then under the functional classification is the classification of organization units and the appropriation is then made to the organization unit.

Mr. MADDEN. Are they made in lump sums?

Dr. GOODNOW. There is nothing whatever in the law as to that. All the constitutional amendment says is that they shall be itemized. Now, when the matter came up before the governor the question arose as to whether he should adopt a segregated budget or whether it should be a lump-sum budget. He adopted a middle plan, and the general classification which is in the appropriations at the present time is a classification first for personal services and then a classification for expenses other than personal services. The schedules under the first budget law that was passed, as set forth in those appropriations, are to be regarded as appropriations with the single exception that in the items of personal service and in the items of expenses other than for personal services changes may be made with the approval of the governor by the heads of the departments, but no change shall be made without the approval of the governor. The change in the law was made to give a certain amount of flexibility and yet give somebody who was not a spending officer an opportunity to transfer appropriations from one place to another.

Mr. MADDEN. Does that scheme take away from the governor the authority to itemize appropriations for each branch of the government so as to show the rate of pay of certain men in certain activities?

Dr. GOODNOW. It does not take away the power, and the legislature accepted the plan as set forth in the governor's recommendations. I should have said that in addition to submitting estimates to the legislature in the form of a budget, the governor is also required under the amendment to present a bill setting forth in detail the appropriations. The way in which that was set forth, at the only time that we have operated under that law, has been a statement showing, for instance, a chief clerk at so much, so many clerks at so much, so many stenographers at so much, etc. But the legislature under the act appropriating the money permits the head of a department, with the approval of the government, to depart from the schedule in the matter of transferring appropriations under personal services, but he may not transfer schedules under personal services to expenditures, or vice versa.

The other idea that the Maryland plan contemplated was that of preventing the Maryland Legislature from adding to the estimates proposed by the governor except under a special bill which should be taken up after the estimates and the appropriations proposed have been acted upon and in this special bill, which was to be passed by a two-thirds vote with the privilege of veto on the part of the governor.

was to be a provision providing for taxes to pay these expenditures, which was a drastic change in the power of the legislature.

Now, we have operated under that system for only one session of the legislature. What actually happened was that all of the negotiations which would take place with regard to the appropriations were made with the governor prior to the estimates, and the governor was in continual contact with the members of the legislature and the committees of the legislature, with the committee on ways and means and the committee on appropriations prior to his making up the estimates, and the result was that the estimates went through and the appropriations proposed by the governor went through the legislature with almost no change. It would appear on the surface that the legislature had perhaps lost all its power of appropriation so far as increasing the appropriations was concerned. As I say, as a matter of fact, the determination of each important item of appropriation was a matter of negotiation between the governor and the committees of the legislature. Now, I do not mean to say, Mr. Chairman, that that scheme is at all applicable to the Congress and to the National Government, because, of course, Maryland is a small State and has comparatively small expenditures.

Mr. MADDEN. What is the total expenditure annually?

Dr. GOODNOW. As I remember it, it is about \$13,000,000.

Mr. MADDEN. \$13,000,000 per annum?

Dr. GOODNOW. Yes. It would be a mere flea bite compared with what you gentlemen have to deal with here. But we felt when we drew up the amendment to the State constitution that we had the alternative proposition of putting the revision of the estimates into the hands of a board or into the hands of the governor. It was felt that it was desirable to make somebody clearly responsible for the estimates, because some single person would feel the responsibility more keenly, and upon that determination that decision was reached and it was put into the hands of the governor. Of course, the governor can not personally do the detail work. Even the governor of a State, who does not have anything like the amount of work the President has to do, could not do it. While no provision was made in the constitution for any particular force to assist the governor, the governor had under the act of appropriation of the preceding year, a sufficiently large contingent fund to obtain the necessary expert assistance in the work of compiling the estimates and he did secure that assistance and as a result of the assistance he received these estimates were made up.

Mr. MADDEN. If the governor decided to hold hearings as to the propriety of certain appropriations, he does not have to hold those hearings personally, does he?

Dr. GOODNOW. He did. We did not require under the law that he should hold those hearings personally but we had in mind the desirability of holding those hearings. I do not think that would be applicable so much in the matter of putting it into the hands of the President, but in a small State like Maryland, or in a city like Baltimore that could be done.

The CHAIRMAN. What effect did this change have so far as reducing appropriations or improving the service was concerned?

Dr. GOODNOW. The main effect it had was to prevent deficits.

The CHAIRMAN. Of course, you can prevent a deficit by appropriating all the money at the beginning that a service might require

under any contingency and that might lead to extravagance in expenditure.

Dr. GOODNOW. The problem, as I said, was the problem of preventing a deficit.

Mr. TEMPLE. In other words, it was not a mere deficit in the appropriations that had to be corrected, but it was a deficit in the treasury?

Dr. GOODNOW. Yes, sir. Now, at that time in addition to the ordinary current annual appropriations we had a number of continuing appropriations which seemed to be forgotten.

Mr. TEMPLE. You mean permanent appropriations?

Dr. GOODNOW. Permanent appropriations. We call them continuing appropriations in Maryland. They seemed to be forgotten. In fact, the system was a very poor system from every point of view and those continuing appropriations were abandoned and everything now is done through annual appropriations. Of course, we have a biennium, but we have appropriations for each of the two years of the biennium. Prior to that time the State debt had been increasing because of the fact that there was this deficit and there was no means of solving it in any way except by issuing bonds, and I think there was an issue of about \$2,000,000 in order to cover the deficit.

Mr. MADDEN. What is the likelihood of such a thing happening under the present plan? Is it possible or probable?

Dr. GOODNOW. I do not think it is probable that any such deficit could occur under the present plan unless you had some tremendous misfortune that might overcome the State and might reduce certain of the indirect sources of revenue upon which the State has to depend.

Mr. MADDEN. That is the point that I make. Is it not possible and altogether likely and probable that the governor or those who act for the governor might overestimate the revenues and appropriate up to the estimate and then expend up to the appropriation and thereby create a deficit?

Dr. GOODNOW. Oh, it is conceivably possible that that could happen.

Mr. MADDEN. Is it not invariably the result in cities where they have a budget system and is not that the cause of the issue of so many bonds by cities? Is it not caused by extravagances more than by any other cause?

Dr. GOODNOW. I have only had experience with New York and Baltimore. In New York it was the case for a time, because under their method of assessment they had vastly increased their liabilities and there was a debt of \$30,000,000 to be wiped out. As Mr. Cutting said this morning, any such deficit has now to be taken care of in the succeeding budget.

Mr. MADDEN. My experience, and I have had some experience in municipal government, has been that the tendency in large cities where they have a budget system is that they will not overestimate their tax income from taxable property because that is fixed, but they will do it in other sources of revenue to the extent of four or five million dollars and then they will appropriate up to the entire estimate and expend up to the entire appropriation. At the end of the year they will find that they have overexpended because they have overestimated receipts.

Dr. GOODNOW. I do not see how you could prevent that. That is mere stupidity or an intentional deceit of the people in order to keep down the tax rate.

Mr. MADDEN. But it results in raising the tax limit, because they either have to issue bonds or increase the tax rate to make up the deficit.

Dr. GOODNOW. I do not think any system of finance will prevent that if there is a deliberate intent on the part of the people in charge to underestimate their receipts. That is not good business.

Mr. MADDEN. They do not underestimate them; they overestimate the receipts and then appropriate up to that estimate, which makes the appropriation much larger than the receipts would be.

Dr. GOODNOW. I do not see how that could be prevented under any system. You would be worse off if you did not have a budget. I know that is what happened in the State of Maryland. They went on appropriating money without any regard to the estimated receipts.

Mr. MADDEN. I do not say that it would not be much better with the budget, because you would have a bird's-eye view or a photograph of your financial situation at the beginning of the year and you would know exactly what your expenditures were going to be and what your revenues were supposed to be.

Dr. GOODNOW. Oh, you are quite right. There is no magic in a budget system if you deliberately overestimate your receipts.

Mr. MADDEN. I know that in many municipalities they deliberately overestimate their receipts in order to secure larger expenditures, just for the purpose of indulging in extravagance.

Dr. GOODNOW. Yes; but that ought not to be done.

The CHAIRMAN. Doctor, with regard to fixing the responsibility for the estimates, has your study of this subject led you to any conclusion with regard to its application to national finance?

Dr. GOODNOW. As far as the National Government is concerned, it seems to me that what you must have is some officer or some bureau which is well enough equipped to make a revision of the estimates, and an intelligent revision, a bureau which does not have anything else to do. That bureau could be under the control of the Secretary of the Treasury or under the control of the President. But so long as the Secretary of the Treasury has anything like the functions which he has at the present time, he is going to have no more time or opportunity to take personal charge of this revision of estimates than the President. I think you have got to accept the fact that somebody must do that work; somebody either under the direct control of the President or under the direct control of the Secretary of the Treasury and under the indirect control of the President.

After all, the power is in the President and the President must assume responsibility for any executive revision of the estimates. The main thing to do would be, as was suggested this morning, to put that matter directly in the hands of the President, to provide an officer of sufficient dignity who might be called the Executive Secretary of the President, who would on account of the prestige of the office be able to stand up under the demands of the spending departments.

Mr. MADDEN. You could not call him a Cabinet officer?

Dr. GOODNOW. It depends on who the man is. He could sit with the Cabinet.



Mr. MADDEN. There is a certain dignity attached to a Cabinet officer.

Dr. GOODNOW. Merely because he has been asked by the President to sit in his Cabinet. There is no reason why an executive secretary should not be asked to sit in the Cabinet.

Mr. MADDEN. I mean the dignity attached to the officer as the head of a department and that dignity is given to the head of the department by the Congress of the United States and not by the Executive.

Dr. GOODNOW. There have been heads of executive departments who were not members of the Cabinet. For example, the Department of Agriculture was at one time in that position. It all depends on whether you give the man a salary commensurate with the salary of the heads of the executive departments and the way the President treats him. So far as I know, I can see no possibility of executive revision of the details of the estimates unless you have somebody with proper prestige to do that work.

Mr. MADDEN. If you assume that the President could not do that because of the burdens placed upon him, you could never lift those burdens to the extent that they would permit him to handle that work in person.

Dr. GOODNOW. Well, suppose you adopt the English system. As I understand it, the English treasury does not collect the revenue or spend the revenue. It merely attends to the current supervision of the estimates.

Mr. MADDEN. Do you think it would be possible to adopt that kind of a system here?

Dr. GOODNOW. I do not see why you could not adopt that part of the English system. That is practically what you would have if you made provision for a budget bureau. Wherever it might be put, it might be put nominally in the Treasury Department in the same manner as this bureau in England is in the treasury department, but it has no administrative functions, as I understand it.

Mr. MADDEN. I realize that.

The CHAIRMAN. What advantage is there in having the revision or the responsibility for initiating the budget placed on an official who is elected by the electorate?

Dr. GOODNOW. Who is elected?

The CHAIRMAN. Yes; who is an elective officer instead of an appointive officer.

Dr. GOODNOW. I think that would be a great mistake, because that would mean the beginning of the disintegration of the system.

The CHAIRMAN. I do not mean the officer who is to do the actual work, but I mean the official who is to be finally responsible for the system.

Dr. GOODNOW. Oh, I think that has a tremendous advantage, because if you can get the responsibility for the expenditures, if the people really desire an economical administration, the only person to have that responsibility, who will be ultimately held responsible is some one who is elected by the people and who is also reeligible for that position.

The CHAIRMAN. Doctor, have you given any consideration to the suggestions that have been made limiting the powers of the members of Congress to offer amendments to appropriation bills?

Dr. GOODNOW. Well, I have, and yet at the same time it seems to me that it is a purely academic proposition, that there is no use talking about it, that Congress is not going to give up the power, as the only legal way that it could be done would be by a constitutional amendment and you could never get it passed. In other words, I do not understand that it is constitutional for Congress itself to pass a law affecting the rules of both Houses. Action can only be taken in one or the other of the two Houses. It is a question of amendment of the rules.

Mr. MADDEN. Do you think it would be fair to the people if they placed the whole responsibility and power in the hands of the Executive?

Dr. GOODNOW. I do not think you would place the whole power in the hands of the Executive because even under our Maryland plan, which has gone pretty far, the legislature has the power to cut down estimates but not to add to the estimates.

The CHAIRMAN. The necessity for it must be based upon some abuse of an existing system?

Dr. GOODNOW. Yes, sir.

The CHAIRMAN. If we find that the appropriations that have been increased on the floor of the House are practically negligible, it would be a matter hardly worth considering at this time.

Dr. GOODNOW. Not if you really want to get a budget plan through. It seems to me that you would only complicate it by such a procedure. Now, in the State of Maryland there was necessity for it. There was no question about it that each man that came from a county wanted to get a road cut through, for instance, and he finally got his proposition through by log-rolling. There is no question about that. The attitude of the whole people in Maryland was seen in the fact that every county except two voted a good big majority in favor of the amendment. There was a situation that was remedied by that action, but I think it would be a great mistake to try to do anything of that sort in any plan such as you have here.

The CHAIRMAN. Have you given any consideration or do you care to express an opinion in regard to the suggestion that has been made of having all the appropriations considered by a single committee of the House?

Dr. GOODNOW. I do not know really enough about the details of the House proceedings as to be able to give an intelligent opinion, but on general principles, provided there are no insuperable objections, I think it would be a desirable thing to have all those estimates come before one committee if possible.

The CHAIRMAN. Have you given any thought to the independent audit and control of accounts, such as has been suggested?

Dr. GOODNOW. Yes. It seems to me that the United States Government is rather peculiar in not having it. Almost every other Government that I know of does have an auditor and controller general, or a court of accounts, or something of that sort, which is independent of the administration and which reports at any rate upon the legality of the expenditures. Now, in some cases, I think in Great Britain, the controller and auditor general reports also to a certain extent in regard to the expediency or the character of certain appropriations. He has the power there to countersign the warrants of expenditure. I think they are peculiar in that respect.

In France, and under the old German organization, there was a court of accounts which consisted of judges having a tenure similar to the ordinary judges. They examined the accounts and reported on them to the legislature and they were absolutely independent of the administration. Up to the present time I do not think there has been any serious complaint in regard to the exercise of undue influence by the President over the accounting officers in this country. That is, I think that the Comptroller of the Treasury has been regarded as in a pretty permanent situation. But theoretically it seems to me that an officer of that sort should have a tenure somewhat similar to that possessed by judges if the legislature is to be certain that at all times it is going to get a correct statement of public funds and their expenditure.

The CHAIRMAN. That would insure at all times a more healthy tenure of office and therefore a more vigorous execution of the duties of the office.

Dr. GOODNOW. Yes, sir.

Mr. HAWLEY. To what extent should this controller and auditor general have a voice in the determination of the policy of expenditure?

Dr. GOODNOW. I have grave doubts about that. I think it would be introducing conflicting elements into this Government and would result in a diminution of responsibility.

Mr. HAWLEY. Should he have the power to criticise before the public accounts committee?

Dr. GOODNOW. Yes; he ought to have that power, but I do not think he should be allowed to hold up any expenditure by withholding his countersignature.

Mr. HAWLEY. Unless he believes it to be perfectly illegal?

Dr. GOODNOW. Even then I think it would be a mistake.

Mr. HAWLEY. You think he ought to countersign it even though he thinks it is illegal in his own mind?

Dr. GOODNOW. He ought to have the power to report to the legislature, but the power of countersignature should never go beyond the question of the legality of the expenditure proposed.

Mr. MADDEN. I think you are right about that, because otherwise you would embarrass the Executive.

Mr. HAWLEY. Do you think he should be appointed by the legislature?

Dr. GOODNOW. I think so, but I do not see how he could be under our Constitution. That is, if he is an officer of the United States Government there is a method of appointment prescribed by the Constitution and Congress has no power to appoint under the Constitution to appoint a United States officer. I will admit that it is open to doubt, but at the same time I believe that is the correct view to take of the matter.

Mr. MADDEN. I think the responsibility for his selection should be placed where we can get at the man who made the appointment.

Mr. TINKHAM. Is there not something theoretically unsound in the proposition of having the Congress devolve upon the President the initiative in the matter of appropriations and then have the President appoint, and therefore control, the official who is to audit the expenditures?

Dr. GOODNOW. It is not the particular President who is going to make the appointment. It is no more improper for him to appoint

an officer with that judicial tenure than it is for him to appoint the judges of the Supreme Court. I would give him a tenure either similar to the tenure which the judges of the Supreme Court have or else a tenure similar to what the judges in England have, which is practically the same thing. That is, they are removed by joint resolution, which is practically an impeachment, so far as that practice has gone, but at all events he ought to have a judicial tenure.

Mr. HAWLEY. If Congress should create the office of controller and auditor general along the lines that you have indicated, should we also create a public accounts committee similar to that which they have in the House of Commons to which he could report the things he found to criticise in the finances?

Dr. GOODNOW. Yes; I think that something of that kind ought to be provided, but at the same time I think that our experience in this country with things of that sort, the committees on expenditures——

Mr. HAWLEY (interposing). I am talking about a real live committee.

Dr. GOODNOW. Well, what is going to make it real live? As I see it, one of our troubles in any system of accounting is that after all the people do not care for economical government; that is, up until the last three or four years. I can remember not so many years ago when one of the political questions in Washington was how to dispose of a surplus of \$100,000,000. I think some of you gentlemen will remember that.

Mr. HAWLEY. We wish we had it now.

Mr. TINKHAM. There is no such question with us now.

Dr. GOODNOW. The only motive that I can see that would make such a committee on accounts active would be the desire to obtain political capital and the only way you are going to get there is where the committee is controlled by a party in opposition to the administration.

Mr. HAWLEY. I think that is true largely of our expenditure committees as now constituted. But suppose the controller and auditor general had the power and duty of reporting currently to a public accounts committee things he found in the administrative offices to criticise while the money was being expended and the work was going on. That committee could make an effective examination and it would not be a post mortem examination. It would be an inducement on their part, on account of the economy and proper expenditure of the money involved, to consider that report and make proper recommendations.

Dr. GOODNOW. I am afraid I have very little faith in that because so long as that committee was in control of the party which was in sympathy with the administration——

Mr. HAWLEY (interposing). Suppose the chairman was of the opposition?

Dr. GOODNOW. Well, that is the only way you could hope to get an active committee of that sort.

Mr. MADDEN. Might not the appointment of such a committee as suggested by Mr. Hawley result in a division of responsibility between the legislative and administrative branches of the Government in the matter of deciding what the expenditures were going to be, and in that way create embarrassment?

Dr. GOODNOW. Yes; and I assume——

Mr. MADDEN (interposing). I mean by failing to reach a decision as to what should be done. That is what I mean by embarrassment.

Dr. GOODNOW. That might be, unless it was entirely post mortem. If they were current, then it might create embarrassment.

Mr. TINKHAM. You think there is a distinct necessity for a budget system to be adopted by our Government, do you not?

Dr. GOODNOW. Yes. It seems to me there is no question about it. I listened with great interest to what Mr. Fitzgerald had to say, and what he said is absolutely true, namely, that you do have the makings of a budget system here, but the only trouble is that the way it is organized, the President is required to act only in such a way as will discredit his Cabinet. That sort of thing has got to be done prior to the submission of the estimates to Congress, and under the present system, as I understand it, under the Smith amendment, the Book of Estimates goes to Congress and then probably, if the President takes his duties seriously, something comes in afterwards which will tend to discredit his Cabinet and then the question comes up. Now, no President is going to act under those conditions. As I remember, under President Taft's administration, the time when he acted was when he made a flat cut of 10 per cent in all estimates, or in telling the heads of the departments to do that, prior to making up the Book of Estimates. That is the only time you can ever expect that to be done with any success.

Mr. HAWLEY. And that is not a very scientific way of doing it?

Dr. GOODNOW. No; and I heard President Taft say he was very much dissatisfied with that particular method. He said it was unscientific and some departments were cutting their estimates more than others, but he said he had no means whatever to do it otherwise. He said no means whatever had been provided by Congress to enable him to perform that duty and it is the only way it could be done.

Mr. BYRNS. Doctor, referring to a matter which was discussed in the beginning, in reference to the Maryland system in vogue prior to the adoption of the constitutional amendment, which I believe you said took place in 1916?

Dr. GOODNOW. Yes, sir.

Mr. BYRNS. You said they had a poor system at that time, and I was interested in knowing what system that was. Were the estimates submitted through the governor?

Dr. GOODNOW. No, sir. Each department went to the legislature and appeared before the various committees and the legislature granted the requested appropriations sometimes without knowing what was in them. If you call that a system, I do not know what a system is.

Mr. BYRNS. The Maryland Legislature enacted no laws relating to the preparation of the estimates?

Dr. GOODNOW. No, sir; none to which any serious attention was paid.

Mr. BYRNS. Relating to their submission to the legislature?

Dr. GOODNOW. No.

Mr. BYRNS. Or a system such as has been suggested here?

Dr. GOODNOW. No, sir.

Mr. TINKHAM. That is, your State officials simply went to your appropriation committees and presented their estimates?



Dr. GOODNOW. Yes; and every institution that wanted money came and presented their estimates. You know how it is, gentlemen, in a State legislature. They all flocked down there.

Mr. TINKHAM. With us the heads of the departments send to the Secretary of the Treasury estimates for whatever they want and the Secretary of the Treasury, purely as a clerk, sends to the Speaker what the heads of the departments demand.

Dr. GOODNOW. There was no executive revision under the system such as was possible under the Smith amendment.

Mr. TINKHAM. So that in general your system was the same as the system here?

Dr. GOODNOW. The only difference is that under the present system that you get it all at once.

Mr. TEMPLE. Yes; that is the most important part of it.

Dr. GOODNOW. And the estimates are then split up.

Mr. TINKHAM. We do not know anything about the revenue situation when we make our appropriations.

Dr. GOODNOW. Yes; and nobody is responsible, and the people generally feel that you are extravagant. Now, anyone who looks into the history of this question will see that the extravagance is about equal between the administration and Congress.

Mr. BYRNS. Under the present system in the National Government the head of a department has the power to revise the estimates submitted by his bureau chiefs and under the law it is the duty of the Secretary of the Treasury to submit to Congress those estimates coming from the departments and also a statement as to the revenues which are expected during the coming fiscal year. Therefore, I think it is rather a stigma to say, and I do not say that you said it, that the system that was in vogue in Maryland prior to the adoption of the constitutional amendment in 1916, was something like the system that we have here.

Dr. GOODNOW. Oh, no. The system you have here now is better. It seems to me that no one can live long in Washington without reaching the conclusion that each head of a bureau measures his importance by the size of his appropriation.

Mr. BYRNS. That is quite true.

Dr. GOODNOW. There is always a tendency to increase the appropriations partly because of that feeling of vanity and partly, and probably more so, because of the feeling that "here is something that ought to be done in my department."

Mr. BYRNS. That is true. That is the practice and we all agree it should be changed. But in theory, at least, each department head has the power to revise the estimates of the bureau chiefs and as you stated awhile ago in the case of President Taft, the President has the power, provided Congress gives him the machinery, to reduce the estimates. I understood you to say a while ago that President Taft said he could not do it because he had not been provided with proper machinery to carry out his ideas along that line.

Dr. GOODNOW. Yes. Now, I do not want to represent President Taft because I understand that he is coming down here.

Mr. BYRNS. We all know that President Taft was interested in the question of economy and efficiency.

Dr. GOODNOW. You can not hope to have any effective revision of estimates made by a spending officer. Therefore you must get someone who is not a spending officer to make an effective revision, and furthermore, a man who has a bird's-eye view of the whole service. On that account it seems to me it would be a weakness in any plan to give that power to the Secretary of the Treasury so long as he is a spending officer.

Mr. MADDEN. You have to make him a special officer?

Dr. GOODNOW. Yes; a special officer under the President.

Mr. MADDEN. Subject to removal by the people?

Dr. GOODNOW. No, I would not say that. I think you have got to make him a servant of the President.

Mr. MADDEN. If you make him a servant of the President and subject to removal by the President, then he is an executive officer?

Dr. GOODNOW. Yes; an executive officer.

Mr. MADDEN. Then, what guaranty has the legislative branch of the Government that what he does will be in conformity with the best practices of economy?

Dr. GOODNOW. Well, you can not have any guaranty at all. The only hope that you can have will be that the President, who will have the power to look at all the needs of the service, will be actuated by the desire to secure economy and efficiency. I think most Presidents have been, theoretically at any rate, actuated by that desire.

Mr. MADDEN. Every President that I have known has no regard for dollars, and it never made any difference to him what it cost if he got what he wanted. That has been my experience.

The CHAIRMAN. Doctor, as I understand your plan, it would be that this official should not report to Congress?

Dr. GOODNOW. Yes, sir.

The CHAIRMAN. But that his work should be turned over to the President for review?

Dr. GOODNOW. Yes, sir.

The CHAIRMAN. And to the extent that it was adopted by the President it would be the President's act?

Dr. GOODNOW. Yes, sir. He would be the clerk of the President. But inasmuch as he is going to occupy such a position, he ought to be given the salary and dignity to stand up against Cabinet officers.

The CHAIRMAN. It would be needful to have a certain kind of man to provide a salary commission office?

Dr. GOODNOW. Yes, sir.

Mr. TINKHAM. I want to see if the Maryland system prior to 1916 is not better. You had a committee who considered the bills from your appropriations committee.

Dr. GOODNOW. Yes, sir; the review was made from indirect sources which could only be made from the returns in past years. Then, there was a committee which would vary from year to year, and it was made by a special committee on the subject.

Mr. TINKHAM. Then, your legislative committee made different bills, and you did not know what your expenditures would be, and what they would be, if any?

Dr. GOODNOW. No, sir.

Mr. TINKHAM. That is the same system we have.

Mr. TEMPLE. I should like to call your attention to a very pronounced difference between that system of procedure and the system provided for by existing law. The law of March 4, 1909, which has been so often referred to, provides that immediately upon the receipt of the annual estimates it shall be the duty of the Secretary of the Treasury to estimate as nearly as may be the revenues for the ensuing year, sending in the estimates of appropriations and the estimate of revenue at the same time. Now, under the Maryland system they do not come in at the same time. They do not come in in any book of estimates. The heads of the various bureaus and spending departments came in independently and separately, and there was no gathering of estimates and no comparison of estimates in a document submitted to the legislature showing the expenditures as compared with revenues. We have all those figures by law, whether we have them in actual practice or not.

Dr. GOODNOW. I think they get lost in the shuffle.

Mr. TEMPLE. I think they do.

Mr. TINKHAM. I think that estimate of revenue goes only to the Ways and Means Committee.

Mr. TEMPLE. It goes to the Speaker of the House and it is referred to the Committee on Ways and Means, which is acting absolutely independent of the Appropriations Committee.

The CHAIRMAN. There is another difference, I think, Doctor. Every year there is transmitted to Congress in one volume an estimate of appropriations.

Mr. TEMPLE. I never have any trouble in getting that volume. Any Member who wants it can have it.

The CHAIRMAN. Here we know at the beginning of Congress just what the total estimates are. We know to the minutest detail just what the estimates are, so that it is different from the Maryland system because the Maryland Legislature did not know, nor does the committee that reports the appropriation bill, what the totals will be until all these factors come in. Here we do know.

Dr. GOODNOW. But is it not true here that subsequent to the estimates a good many supplemental demands come in?

The CHAIRMAN. Those represent rather a small portion of the total estimates. In fact, covering the period of a great many years, the total of the original and supplemental estimates is always more than the appropriations.

Mr. TEMPLE. Not as much as the cut in the original estimate?

The CHAIRMAN. The original appropriations are always less than the estimates, and that is true even taking into consideration the total appropriations including individual items of deficiencies. Therefore we have here not only a picture of the requirements of the service but in the same volume we have the detailed estimates of the annual revenue for the year, which is quite different from the system which prevailed in Maryland prior to the adoption of the amendment to the constitution.

Mr. TINKHAM. But that picture never comes before the same committee?

The CHAIRMAN. Oh, yes.

Mr. MADDEN. Any Member of the House can get it.

Mr. TEMPLE. It comes to every Member of the House who cares to get the book.

Dr. GOODNOW. Is it not a fact that the estimates are split up, some of them coming to this committee and some going to other committees?

Mr. TEMPLE. Oh, yes.

Dr. GOODNOW. So that the Appropriations Committee does not consider them as a whole?

Mr. TINKHAM. There is no general picture either in consideration or in legislative treatment?

Dr. GOODNOW. So that whatever may be the purposes of the act in presenting in a book of estimates a birds-eye view, that purpose is frustrated by the custom that has gradually developed.

Mr. TEMPLE. Doctor, the fact is that for the convenience of the committees they get a smaller volume to handle than the whole volume would be. That is, they get a part of it.

Dr. GOODNOW. Yes, but amplified in some detail as Mr. Courts used to amplify it in a way that nobody else could do.

Mr. TEMPLE. But anybody who wants it has access to the whole volume.

Dr. GOODNOW. But how many Members do that?

Mr. TEMPLE. I have never made an estimate but I can certainly speak for myself.

Mr. BYRNS. As a matter of fact, those estimates are addressed to the Speaker of the House, but they are in the Document Room of the House and available to any Member of the House.

Mr. HAWLEY. Or any citizen.

Mr. TEMPLE. It is the Member's own fault if he does not get it.

Dr. GOODNOW. It is not his business to get it. There is no responsibility upon him to get it.

The CHAIRMAN. It is his responsibility.

Mr. TEMPLE. I know a great many of them habitually use the book.

The CHAIRMAN. Doctor, have you anything further?

Dr. GOODNOW. No, sir.

The CHAIRMAN. Thank you very much, Doctor, for your very illuminating statement.

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SATURDAY, SEPTEMBER 27, 1919

# **STATEMENT OF HON. WILLIAM R. GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA.**

The CHAIRMAN. Judge Green, you have a resolution pending before the committee, and I suppose you desire to make a statement with regard to it. If you desire to make a statement on the general subject before the committee also, the committee will be very glad to hear any statement you desire to make.

Mr. GREEN. Mr. Chairman and gentlemen of the committee, there is no question upon which there has been more misconception and misunderstanding in the public mind than there has been with reference to the budget system. I think that this is largely because of the many sensational statements that have been made with reference to it and which have been given wide circulation by the press that enters

to that sort of thing. The budget system is hailed by many as a panacea for all of the financial evils that beset a Government, but it is not. It may mitigate them, and probably will, if rightly used, but it hardly touches the great source of extravagant expenditure on the part of our Government, or of any of the important governments of the world at this time. We could find numerous examples of this, if we sought for them, in our own State governments. There are a large number of our States that have budget systems, and some of them that have a budget system have been most conspicuous for the amount of extravagance in State expenditures. On the other hand, some of our States that have no budget system have been remarkably economical. Now, as I have said, rightly planned the budget system will be very useful, but wrongly applied it will simply aggravate the evil that is sought to be remedied. The amount of the Government's expenses depends on two things, neither of which is directly related to the budget system, although both have some connection with it. The first is the policy, or general policy, of the Government, and by the Government in this particular instance I mean the executive acting in connection with the legislative branch. The second is the efficiency with which those policies are put into execution. For example, and in order that the committee may better understand to what I refer, if the Government concludes to take over the railways, as transportation is an absolute necessity in this country, they must be carried on. If carried on in such a manner as to create a deficit, that deficit must be met. Regardless of the budget system, the Government must pay.

If the Government concludes to take over and nationalize the coal mines, of course the country must have fuel. Its citizens can not live and carry on their business without it, and those expenses will have to be met regardless of any budget system. Upon the degree of efficiency with which such operations are carried on will depend in great degree the amount of the expense of the Government. Then, as everyone is aware, by the multiplication of the departments and bureaus our expenses have been increased. For example, if we had no Department of Commerce and the duties of that department were added to some other department, there is no question but what our Government expenses would be much less, but whether the work would be accomplished as well, of course, is another question which I do not care to go into now. But the more we multiply those various departments and bureaus and the more different kinds of operations the Government undertakes, the greater our expenses. None of those matters would be controlled by a budget system. The great tendency at the present time at least, and as it has been working out in the last few years, has been to multiply the operations of the various departments, to increase the number of the departments, and to increase the number of people at work in them.

I do not believe that there is one in five of the people advocating a budget system who understands what it is, and not one in ten have any idea how it will work out as applied to our Government.

Mr. GARNER. But each one has a beautiful theory. If you read them in the books, magazines, and newspapers it appears to be a beautiful thing.

Mr. GREEN. Yes. Now, I can illustrate that best by an example: One of the systems that has been heralded as the one that we should



especially copy is that of England, and the impression has gone abroad that it has been highly successful and highly popular in that country. Neither is true. It has neither been highly successful nor is it particularly popular. At the present time there is the greatest clamor over in England because of the extravagance of the ministry or administration under the budget system; and that clamor has arisen to such an extent that the Government has been compelled to yield to it in some measure. A perfect storm of protest has arisen against the action of the Government upon a great many of its projects, and as a result many of its plans have been abandoned or modified. The fact is that the budget system in England has been the subject of criticism there for a long time; and the reason, to my mind, is very plain.

Anyone who reads the parliamentary debates in England, as I do, will readily see that under the English system it is utterly impossible for the ordinary member of Parliament to properly understand the various items of Government expense under the budget system. He does not know what they are and can not find out. He knows what the bulk sum is, and he knows, also, that some kind of arrangement is being made for meeting it, and that comes pretty near to being all that he knows. As a consequence, there is no way of fully discussing the appropriations before enactment, either in Parliament or by the people at large. No one knows just how the budget will work out until after it is set in operation, and some of the most extravagant schemes have been foisted upon the people of England under the budget system; whereas under our system, with which so much fault has been found, they never could have gotten them through a representative body like Congress. For that, and many other reasons, many Englishmen are clamoring to do away with the English system. I do not know how it can be done under their form of Government. The system seems to me to be inseparable from it. Now, a great many gentlemen have been giving the committee and to Congress advice in regard to budget systems, and I think that by far the greater majority of them have taken the position that the budget ought to originate with the administration. In other words, that it ought to come from the several departments, as approved by the Executive.

In my opinion, this is the worst kind of system that could be adopted, and if once adopted it would simply increase rather than lower our expenditures. Every Member of the House and Senate knows that Congress, and particularly the House of Representatives, is in constant conflict with the departments, owing to the fact that the several departments want more money than Congress thinks ought to be expended. They insist on having more, and very often allege that the departments can not be carried on unless they have more funds. In fact, I think they usually have their way about it and get the money that they demand.

Mr. BYRNS. You do think, do you not, Mr. Green, that if some plan were devised whereby a more direct responsibility could be devolved upon the Executive, it would have a tendency to check the overestimates that come from the departments?

Mr. GREEN. Yes; I agree with you there.

Mr. GARNER. If you could have some way of focusing the public eye upon it, or if those gentlemen who write so profusely on the

zines and newspapers on the subject would give their attention to it and attract the attention of the public to the Executive as the one who is responsible in the first instance for the large expenditures, some good might come of it. If that were done, and the responsibility of the Chief Executive were fixed in the first instance, we might have public discussion of the subject in this country and heed would be paid to the desire of the people that the expenses of the Government be cut down as far as might be consistent with its efficient conduct.

Mr. GREEN. I agree with that statement also.

Mr. TINKHAM. Do you not think, Judge, too, that under the present system many heads of departments ask for more than they expect, because they know their appropriations will be reduced at least 10 or 20 per cent below the estimates?

Mr. GREEN. Sometimes that has happened, doubtless, but that is not the whole of the situation. If it were, we would not have the departments doing as some of the departments have done in the past—going out and building back fires against Members of Congress who have endeavored to cut down the amount of appropriations asked and endeavoring to hurt them with the people in their districts because they were trying to limit the amount of appropriations. Sometimes they endeavor to forestall the decision of Members and at other times try to change them when they have already decided what they would do.

Mr. GARNER. And sometimes they do that at the expense of the Government.

Mr. GREEN. Yes; at the expense of the Government.

Mr. CAMPBELL. Is it not true that in almost every bureau of the Government there is a publicity or propaganda division and that within 48 hours after a vote has been taken here on the floor of the House defeating somebody's motion to increase an appropriation by \$350,000 you will get telegrams from your home district asking you to vote for some amendment to an appropriation bill, and saying that the people demand it?

The CHAIRMAN. You do not get them any more. We put a stop to that.

Mr. GREEN. To telegrams at Government expense; yes; but there are other methods.

Mr. GARNER. Does that prohibition apply to all appropriations, or just to special ones? Is it a general law?

The CHAIRMAN. It is a general law now. Judge, I was interested in what you said with regard to where the estimates should originate. I do not care whether you call it a budget or call them estimates when they come in, and they come in now in book form or budgetary form; it seems to me that any business man having large business interests under his control does not sit down and make out his estimates of requirements for the year, but he calls in the respective heads of departments, operations, etc., and from them he gets their ideas of the requirements.

Then, in preparing the schedule or budget to lay before his board of directors, he relies largely on those estimates. I was for a number of years on the subcommittee in charge of the legislative, executive, and judicial appropriation bill, and gave it a good deal of study. That bill carries the statutory forces, but because of the war we have

had to carry here in Washington a large appropriation for clerk hire. Now, if I were asked to make a schedule of that force, without giving it considerable study, I could not come within a million dollars or five million dollars of what perhaps would be required. I would have to go to the several departments where the clerks are employed and find out how many they had this year, whether the work was increasing or diminishing, and whether or not by efficient methods the force could be reduced. It seems to me that the business thing to do would be to go to those men who have under them the control of certain work and find out just what the requirements will be.

Mr. GREEN. Unquestionably, in the first instance, that must be done, and is being done now, but the results are far from satisfactory. The great difficulty with the departments is that after a man has been the head of a department for a certain length of time he and the force under him gradually become imbued with the idea that the whole safety of the Government is bound up in their particular department and that unless it is carried on to the utmost extent there will be a most serious calamity visited upon the country. This is but natural, and to a certain degree it is creditable.

Mr. TINKHAM. How could that be controlled?

Mr. GREEN. I am coming to that later, if I am not taking up too much of your time. I do not want to impose on the committee. As I have said, this is but natural, and to a certain degree it is creditable to those gentlemen that they are taking a great interest in their particular departments and have become imbued with its importance. To a certain degree I have sometimes thought that that very thing was also reflected in the minds of the various committees who deal with some particular branch of the Government service, like the Department of Agriculture, the Army, the Navy, and various other departments whose great importance is manifest, but, as I think, none of them are of overshadowing importance. Now, with reference to what the chairman has said, it is, of course, necessary that we should have estimates of the departments and their views as to what is necessary to be appropriated. That is already done; it is done now, and we have a further provision that when the annual estimates of appropriations are made, the President shall consider them in connection with the estimated revenues and make recommendations as to how, if the revenues are not sufficient, the expenditures may be reduced. I am not sure just when that provision became a law, but it was back in a Republican administration.

Mr. BYRNS. March 4, 1909.

Mr. GREEN. March 4, 1909: and whether any attention was paid to it by the Republican Executive, I do not know, but certainly no attention has been paid to it by the present Executive, although, in my opinion, if it were carried out, it would be likely to have some effect upon expenditures. Now, the reason, in all probability, that he does not carry it out supports reason for thinking that leaving the matter of the budget with the administration will merely increase the expenses. The fact is that there is always a tendency on the part of the Executive—I do not care whether he is a Democrat or Republican, or what party he may belong to—to support the department heads in their various demands. That is what causes the trouble with the English system, the failure of which I have already referred to and explained at some length, notwithstanding the fact that it is

generally regarded among our people at large, in consequence of the propaganda that has been carried on, as a model for all governments.

Mr. TINKHAM. Suppose you had an independent budget officer to cut down and revise all estimates before they were submitted?

Mr. GREEN. That, in my judgment, is what we must come to, and it is what my resolution provides for. If I correctly understand the bill which the chairman has introduced, his bill would also provide for some independent body to revise and cut down the estimates. But my resolution goes further than that——

The CHAIRMAN (interposing). Before going to that, Judge Green, it has been rather forcefully pointed out to the committee that the provision of the law of March 4, 1909, to which you referred, requiring the Secretary of the Treasury at the time he transmits the annual Book of Estimates to Congress to also send a copy to the President in case the estimated expenditures exceed the estimated revenues, and that then the President shall advise Congress how they can be reduced or the revenue increased, is subject to this objection, that at the short session of Congress there would be very little time in which to act, and, of course, no President is likely to send in new estimates that will radically reduce the estimates already sent in by the various Cabinet officers under him, because that would be at once a reflection upon them. It would discredit them before the country, and in a way it would discredit the whole administration, so that while it has in it some elements of good, in practical operation it would mean the destruction of all that has gone before, and would discredit, perhaps, every member of the President's Cabinet in connection with the estimates that be submitted to Congress, and that is one of the reasons why it has not been enforced in the making of estimates.

Mr. GREEN. I can see that there is force in the reasoning in the statement made by the chairman, but owing to the fact that I am not connected with an appropriating committee, it had not occurred to me. Whether or not it would be possible to obviate that difficulty I do not know, and I shall not discuss that matter at present, because I think that in any event this provision is not sufficient. It is more or less of a discretionary matter in any event, and while no action has been taken by the executive under it, I would not want to say that there has been a violation of law by reason of the fact that no action has been taken. There is one matter that I neglected to mention in speaking of the general misunderstanding that has marked the discussion of the budget system, which I regard to consist in fixing in advance the amount to be expended for a given period and making provision for the necessary revenues to meet those expenditures. So little is that understood that while this great war was going on, there were a number of people clamoring for the budget system to be put into effect right while the war was continuing. They did not seem to understand that even in England there was no attempt to apply the budget system during the war. It would have been absolutely impossible to do so. When Gen. Haig had the misfortune to lose a large quantity of his artillery and sent in for more, of course it would not do for the war ministry to advise him that the amount that had been fixed for artillery had been exhausted.

Mr. MADDEN. That would be an emergency that could be met even under the budget system, could it not?

Mr. GREEN. They did not make any attempt to apply the budget system in England during the war.

Mr. MADDEN. But it could have been applied.

Mr. GREEN. I do not see how it could have been made very valuable. They did do one thing that we have not done in this country, and which I think would have been of immense value if it had been done, and that is they provided for a continuous auditing examination by a parliamentary committee through which they did most excellent work in England in the way of cutting down expenses, and I suppose that to some extent, while it did not operate as a budget committee, it kept a check upon them somewhat in the way that a budget would. I have already said that in my judgment any budget that was subordinate to the administration or was put in force by the administration, would simply add to our expenditures instead of decreasing them, for the reason, as I think I have shown already, that the heads of the departments continually ask for more than Congress is willing to give them, while the tendency on the part of the Executive is naturally to support the members of his Cabinet. For that reason we have very seldom found any President who has started out with a policy of reducing expenditures. If there has been any one who has called upon the various members of his Cabinet to reduce the expenditures of their respective departments I am not aware of it.

Mr. TEMPLE. President Taft did.

Mr. GREEN. If he did he ought to be highly commended for it, but since I have been in Congress that has not happened. If I am correct, some other body of some kind must be provided to make up the budget if we are to have an effective one.

Mr. MADDEN. If the responsibility were placed upon the President, and he were given an organization with which to make the budget, such organization to study the departments, coordinate their activities, and have a history of all the various activities in the departments, do you think that would have any effect?

Mr. GREEN. I think that would have one serious defect among others, and that is that in making up the budget there should be considered not only the expenses, but the revenues, and if we are to consider the revenues we must consider the method of obtaining them. If we consider the method of obtaining revenues there is no other place that I know of except in Congress or in committees of Congress.

Mr. MADDEN. As a matter of fact, do you begin in any committee of Congress to provide revenues? You must have a basis submitted from the executive branch of the Government upon which you make research and take final action. Is not that true?

Mr. GREEN. That is very true, but the reason why I think and have thought that such an organization as you have mentioned would not be sufficient is because that body would have no way of telling what the revenues were going to be. No one except members of the Ways and Means Committee, in connection with the Finance Committee of the Senate, are going to be able to determine what the revenues of the Government will be at any given time, because they will be the ones who will determine what revenue laws will be in effect. At this particular time we have been changing our tariff laws, and, in my opinion, they are likely to be still further changed.



**Mr. TEMPLE.** Can members of the Ways and Means Committee and the Finance Committee of the Senate tell what the effect of such laws will be without obtaining the information very largely from the reports of the Treasury? You do not know what the effect is going to be until it is revealed by experience.

**Mr. GREEN.** No, sir; not exactly, but we never think of adopting any revenue bill until we have had the matter very carefully examined by the Treasury and a report made as to what the estimated revenue will be from it, and I have been surprised, and almost astonished, as I think my friend here, Mr. Garner, has been also, at the accuracy with which the Treasury has been able to estimate the amount of revenue to be derived under a new law.

**Mr. GARNER.** It has been simply astounding to note the degree of accuracy with which the amount of revenues to be derived under a law has been forecast by the Treasury experts.

**The CHAIRMAN.** If that is the case, then the Ways and Means Committee go to the Treasury Department for their information. They do not originate the information, but they get it from an executive department. Our experience yesterday would be an indication that the Ways and Means Committee are not always a unit, nor do they know just what revenues are going to be acceptable to the membership of the House when they get on the floor.

**Mr. GARNER.** I think this should be said for the Ways and Means Committee, that aside from revenues collected through the custom-house, there has been very little division in the Ways and Means Committee in regard to the method of raising revenue for the Government. So far as internal taxes are concerned I do not believe that you could tell who was a Democrat or who was a Republican, but when you come to the question of collecting revenue at the custom-house, there is very keen division all along the line.

**Mr. GREEN.** In answer to the question which the Chairman has propounded, and, with all due deference to him, I think it can be answered easily when the Ways and Means Committee receives those estimates, then the committee determines what kind of law should be passed. The great questions of what plans shall be adopted for raising revenue must finally be settled by the Ways and Means Committee of the House and the Finance Committee of the Senate.

**The CHAIRMAN.** But at the same time, when you determine that, you take it back, as you did in reference to the proposed repeal of the so-called luxury taxes. That was a unanimous report of the Ways and Means Committee, indicating that it was going to cut down the revenues by \$250,000,000, but after getting it on the floor of the House and kicking it around for a month or two, you took it all back.

**Mr. GARNER.** Let us have the record straight on that. In the first place, it did not include more than \$90,000,000, and the proposed repeal of that law was brought about, as Mr. Good will remember, by a pledge to the Senate that it would be repealed. The bill was reported out, but it failed of passage at the session ending March 4. The Ways and Means Committee felt in good faith that they should again report it, although some members thought they had done their full duty in regard to the proposed repeal of that law.

That is the record in the matter.

**Mr. GREEN.** Yes; I don't think any of the members of the Ways and Means Committee were enthusiastic for the repeal of that law.

It was more for the purpose of carrying out the understanding with the Senate by virtue of which we got through the former bill and without which we would not have been able to get it at that time.

And there is another matter connected with it. It is no particular secret that it was thought by some of the Ways and Means Committee at least, that the Republican caucus or conference had favored the repeal of this tax. Subsequently, judging from the action of the House, that was not true. But the Ways and Means Committee is not infallible any more than the other committees of the House nor more likely to change its views.

Mr. TEMPLE. The estimates of revenue originate largely with the Treasury Department, do they not, rather than with the Ways and Means Committee?

Mr. GREEN. Yes; but when it becomes a question of policy——

Mr. TEMPLE. That is, if there was to be any changes in the law?

Mr. GREEN. Yes; or new laws created, such as we have been making. But in the end the Ways and Means Committee after getting information from the Treasury must determine whether a new policy or a new law will be adopted.

Mr. TEMPLE. That would be acknowledged.

Mr. GREEN. For instance, we recognized the fact that one method of collecting taxes may bear quite heavily on the people; we do not wish to use that unless it is absolutely essential and the money cannot be arranged for any other way. Money is demanded that we think ought not to be, and would not be if those who demanded it realized the difficulty in obtaining it. We have at times done things as the gentleman from Texas will again agree with me, passed things that we wanted to avoid because——

Mr. GARNER (interposing). Saw no escape from it.

Mr. GREEN. Saw no escape from it after the departments have fixed the expenditures. But the chief reason why I think the members of the Ways and Means Committee ought to be consulted about such matter is that it must determine whether the sums demanded by the departments can properly be raised. For instance we will suppose that estimates are brought in for \$6,000,000 for the administration of the Government; then certain members of the Ways and Means Committee as under my plan, will then be acting with other members of the budget committee, whether from the Appropriations Committee or otherwise, will say, If you spend \$6,000,000 we will have to resort to such and such taxes to raise the money or issue more bonds. Either event would be a very serious event for the country, and that is the reason why it has seemed to me that some of the members of the Ways and Means Committee, at least, ought to be on the committee that determines the budget.

Now, I realize that the plan that I have presented in my resolutions has many practical difficulties in the way of it, in the line of getting the consent of those involved more or less in its operation or affected by it.

Mr. MADDEN. Who, for example, or in what way?

Mr. GREEN. Well, it would, of course, deprive certain of the committees of certain of their powers. My plan is for the creation of a joint budget commission from the House and Senate to determine the total amount of appropriations that may be made.

there are different appropriation committees covering different departments, will fix the totals that may be appropriated by those particular committees; and also providing that it should not be in order to report a bill that carries a greater sum than is fixed by the budget committee for the particular branch of the Government to which the appropriation pertains without the consent of the budget committee, or to make an amendment to that without the consent of the budget committee.

The CHAIRMAN. Now, Judge Green, right there suppose we had that system and you fixed the amount for the fortifications bill at \$12,000,000 it would not be in order to report a larger sum unless by the consent of the committee having it in charge, nor would it be in order for any person to amend the provision on the floor of the House or the floor of the Senate; that is your plan, I take it?

Mr. GREEN. Without the approval of the budget committee; if the Member wanted to increase the amount he would have to secure the consent of the budget committee.

The CHAIRMAN. To increase the entire amount?

Mr. GREEN. To increase the entire amount; yes, sir.

The CHAIRMAN. Of course, the amount of the bill depends on hundreds and sometimes thousands of items included in the bill. It seems to me to intelligently function that committee would have to have its hearings and go over all of the items of the estimates before it could see how much the total should be.

Mr. GREEN. Undoubtedly it would have to have hearings and go over the estimates. Some one will have to do that, whether it is some one that knows what the revenues will be or ought to be is, it seems to me, a very important question. The important point is that some committee should determine the limit to which the country is willing to go for fortifications.

The CHAIRMAN. Do you think one single committee could go over all the estimates in a short session of Congress in time for Congress to act on it?

Mr. GREEN. I don't think it would be necessary for them to go over them in detail. If ever you make this budget system effective in my judgment you will have to come to the point where you say to a department, "You will have so much money and not any more." If you do not do it, what does it amount to? Any Member can offer an amendment to increase the figures carried by a bill; any committee in charge of a bill can increase the sum fixed by the budget committee, and when the bill gets over to the Senate the amount will be greatly increased, as it almost invariably is, and the effect of the budget system, I think, will be very little.

Mr. BYRNS. Judge, under your plan would this joint budget committee in the respective Houses report the bills or would they come from the various appropriating committees?

Mr. GREEN. They would come from the various appropriating committees.

Mr. BYRNS. Wouldn't that, in fact, involve hearings on them all?

Mr. GREEN. It would.

Mr. BYRNS. As the chairman suggests, would there in the short session be opportunity in the first committee to conduct its investigations and report to the budget committee, and for the budget committee to report it so as to have it passed before March 4?

Mr. GREEN. The hearings before the joint committee would be comparatively brief. The joint committee would make a provisional estimate of how much could be allowed to each department, and how much the total expenses of the Government should be, and then it would briefly hear the heads of the departments as to why they could not cut down their expenses to meet that amount, and in many instances would, I think, be compelled to tell them that they simply must bring them down to the amount fixed.

Mr. BYRNS. How could the joint committee without going into a more or less extended hearing or hearings establish the other items and make a report as to how much each of these departments should have? Take the fortifications bill, as mentioned by the chairman, embracing many items; how could this committee say so much shall be appropriated for this fort and so much for the guns of a certain character—how could they do that without going into that as to just how much would be needed?

Mr. GREEN. If the hearings are conducted on that plan, you never get anywhere in my judgment, with a budget system. If you are to make no limitations on the recommendations of the departments, you will arrive at just the point you have been reaching heretofore. Let me say, that to-day, when we are borrowing money to pay the interest on our bonds, the question is not what we would like to expend but what we can expend without bankrupting the country.

Mr. MADDEN. Judge, would not the creation of a joint committee tend to give the Senate the right to originate revenue legislation which would take away from the House the power that it now has?

Mr. GREEN. No; I think not. The Senate exercises the power of amending these appropriation bills whether it has it or not. The House has always contended that it did not properly have it.

Mr. MADDEN. They can not originate them.

Mr. GREEN. No; they can not originate those bills.

Now, I understand very clearly, as I have stated before, that great practical difficulties will face this resolution of mine for the reason that I presume every one of these committees which would thus be deprived of certain of their powers would object. It may be that you gentlemen sitting here will conclude that the practical objections are sufficient to overcome any claims that may be made for this plan in any other way. But I want to make the prediction now that if somewhere in the legislative body is not fixed the power to limit the amount of the appropriations, that any budget system that is adopted will accomplish but little, and I very much fear nothing in the way of checking expenses. That is all I have to say.

The CHAIRMAN. Judge Green, do you regard as an essential element in the plan you have suggested the combination of the Ways and Means Committee of the House and Senate, or could the same functions be performed by some supercommittee composed of House Members?

Mr. GREEN. Oh, that isn't really an essential feature of my plan. that is a detail, the reasons for which, as they existed in my mind. I have given, being the fact that the Ways and Means Committee is charged with raising the revenues, and must necessarily determine the amount and the way it was raised, but it could be done without any conflict with the general plan that I had in mind. I have another and a different committee of the House. My main object is

that some committee, either of the House alone or of the House and Senate together, must regulate this budget measure.

Mr. BYRNS. As a matter of fact, though, Judge, in the matter that is pending, if you are to have the apportionment system that you prefer, it would be highly important and really necessary to have some joint understanding with the Senate; otherwise we would be in the attitude that the House finds itself frequently now of passing an appropriation bill and the members being denied the opportunity to present their views with reference to increases, and then the bill will go to the Senate and amendments be put on ad libitum increasing the appropriations.

Mr. GREEN. Yes; and that same thing, I think, Mr. Byrns, will obtain in any plan that does not take into consideration the Senate; you will have that same difficulty always.

Mr. GARNER. But we could easily prevent amendments if any Member rose from the floor of the House and suggested an amendment that exceeded the estimate of the executive branch of the Government?

Mr. GREEN. Yes, sir.

Mr. GARNER. For instance, here is a man who proposes an amendment of \$500,000 more than the executive branch of the Government says he needs.

Mr. GREEN. Yes.

Mr. GARNER. I think that should be put in an independent bill, and then Congress would have full power and unlimited discussion, rather than the limited discussion that he has on an appropriation.

Mr. GREEN. I think your suggestion is a very excellent one and might well follow a budget plan after its adoption, if one is adopted.

Mr. BYRNS. That is an instance that rarely happens, because as I have observed Congress has rarely increased appropriations over the estimates; the tendency is to cut them down rather than to increase them.

Mr. GREEN. Well, being on the Appropriations Committee, you would be much better informed on that point than I. I thank the committee for the attention and consideration that I have received.

The CHAIRMAN. We thank you very much for your statement, Judge Green.

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SATURDAY, SEPTEMBER 27, 1919.

#### STATEMENT OF HON. WILLIAM E. ANDREWS, A REPRESENTATIVE FROM THE STATE OF NEBRASKA.

The CHAIRMAN. Mr. Andrews, you have a bill pending before the committee; I suppose you want to speak of that. The committee will be very glad to hear any statement you may care to make.

Mr. ANDREWS. H. R. 551, a bill proposing the transfer of the accounting offices from the jurisdiction and control of the Treasury Department to the jurisdiction and control of Congress, and for other purposes.

Perhaps I can follow this section by section and emphasize the essential points that I have in mind, and then the committee can ask any questions, and thus economize time.



The first section of the bill proposes a transfer of these accounting offices with the force of officers, clerks, and employees, just as they stand under existing law. The chief purpose in proposing that transfer is to give to Congress the aid of these offices in tracing accurately and efficiently the collection of revenues under the revenue laws, customs, and internal revenue, etc.; and also in tracing accurately and speedily the expenditures of the Government. This plan would place under the control of Congress a trained force that it does not have now.

Mr. GARNER. Now, would it interrupt you to ask a question?

Mr. ANDREWS. Certainly not.

Mr. GARNER. How are you going to have a permanent force under the control of Congress?

Mr. ANDREWS. Just as you have a permanent force in the Library of Congress or anywhere.

Mr. GARDNER. You would not make them subject to removal at all by an incoming administration of the House or Senate? I do not see just how you are going to pass a law to give you a permanent force under the direction of the Congress that is not subject to change or removal under each administration?

Mr. ANDREWS. That is a constitutional question which, perhaps, I need not enter into for discussion at the present time. I want to suggest the business phase of this matter and leave the other matter as to whether it shall be subject to any other changes or not. The heads are now subject to change as administrations change, and this plan suggests no change, but they might change as the political power in Congress might direct. Congress could deal with that. It was not my purpose to raise that question in connection with the plan, but to show the general purpose.

The CHAIRMAN. That is properly raised under section 2 of your bill.

Mr. ANDREWS. The auditors, comptroller, and assistant comptroller are now appointed by the President. This bill proposes the nomination of those officers by the Speaker of the House and confirmation by the Senate. My reason for suggesting the Speaker as the nominating officer is this: There is no other officer in the whole range of Government that knows as much about accounting systems or plans when he comes to his official station as the Speaker of the House.

The CHAIRMAN. Would you make them officials of the Government; the accounting officers and the comptrollers? Would you give them the standing so that they would be officials of the United States Government?

Mr. ANDREWS. Yes, sir.

The CHAIRMAN. Well, now, the Constitution provides specifically how officials of the Government shall be appointed.

Mr. ANDREWS. That is, with reference to nomination by the President.

The CHAIRMAN. The constitutional provision is this:

He (that is, the President) shall have the power, by and with the advice and consent of the Senate, to make treaties provided two-thirds of the Senators present concur, and he shall nominate, and by and with the advice and consent of the Senate, shall appoint ambassadors, other public ministers and consuls, judges of the Supreme Court, and all other officers of the United States, whose appointments are not herein otherwise provided for, and which shall be established by law.

So it seems that officials of the United States Government would have to be appointed by the President.

Mr. ANDREWS. Yes; by the President. That question of the mode of selecting the officers is not so much a part of the general plan as giving Congress the benefit of those agencies, and that is my purpose, and the main purpose of the bill. It is true, as proved by my observation, that we will never have an efficient accounting system until they are removed from the administrative control of the Government. So long as they remain where they are now, they are more or less under an influence that will bias judgment, let each person do his best, act consistently regardless of any political bearing, or anything of that sort.

Suppose, for instance, you are tracing out matters connected with appropriations, where could you find better assistants, greater efficiency than on the part of the auditing clerks whose business it is to follow year in and year out the details of expenditure of all of those funds that you appropriate. Now, if Congress has that under its control, has it within reach, so that those people who are not under the domination and control of anybody else—I do not use the word “domination” in an offensive sense; I do not mean that—you would then have at ready command the assistants tracing customs, internal revenue, and all other channels. Moreover, those agencies under the direction or control of Congress would be at its command to place them at pleasure. They would vitalize the committees on expenditures in Congress in this way: The Committee on Expenditures, for instance, in the Treasury Department or the Committee on Expenditures in the War Department, arranging plans to carry out its duties under the rules of the House, would say to the auditor for each of those departments, “As you proceed with the business for the year make your notations of defects, irregularities, inconsistencies in statutes, and submit that report to this committee at the next session.”

Thus you would have a definite working plan, by means of which they could secure reliable information in relation to the very things that need correction. These committees then could have this brief upon which to work. They could call to their assistance those clerks, and there would be no occasion to go outside. These clerks could come from these various accounting offices and discharge their duties and make their answers to the people who employ them and have control of their official stations; but now they are answering against the people who hold the powers of their official stations in their hands.

The CHAIRMAN. Mr. Andrews, the committee has had pointed out to it the defects in the various systems; you have described it in a word, “domination by the executives.” Do you think there would be any material benefit flow from a change of that domination from the executive to the legislative branch, and don't you think there is perhaps a middle ground which might be adopted that would make an independent office where the officers would be independent and would have but one star to guide them, and that would be efficiency in the administration, correct administration of the appropriations, and at the same time that independent establishment would be in a sense an arm of the legislative branch, furnishing them

at all times with full and detailed information as to the actual conditions of the various departments of the Government.

Mr. ANDREWS. That independent agency would be a vast improvement over the present conditions.

The CHAIRMAN. I can see, Mr. Andrews, where the President might belong to one political party and the Congress to another; if the Congress had this power that you suggest it might set up an establishment that might only tend to heckle and embarrass the right administration of governmental affairs or expenditures of appropriations, and the result might be even worse than the condition that now confronts us.

Mr. ANDREWS. I can not concur in that opinion. Having viewed it from both ends of the line, I am satisfied that with these agencies under the control of Congress the objections and difficulties would be largely reduced. I would not contend seriously with reference to the use of these agencies as an independent organization. I believe, however, that those trained officials and clerks as a part of the real working plans of the House and the Senate will accomplish better results than they would in the other way. True, with an independent position they would be free from many of the embarrassments that come under existing conditions. If there are no other questions on that point, I will pass to the next.

There is another point here that I think is of equal importance, and that is the efficiency of the auditing force. Under the present conditions, in my judgment, it is absolutely impossible to develop efficiency in an accounting system. It has been for more than a hundred years a subordinate agency supplied in the ordinary way of furnishing sometimes the cheapest clerks there are in the departments to pass upon the final settlement of hundreds of millions of dollars of public funds. And sometimes clerks are shifted to these positions when they can not use them anywhere else, either because of their incorrigible disposition, or because of inefficiency. One can hardly picture that without a full observation of the working out of the system. Now, you can imagine the outcome with a large part of the force disturbed as that is. Accountants must be singled out and the work must be emphasized so as to show the necessity for some kind of prior training before they are chosen for the Government. As it is now we are wasting a vast amount of time in training clerks to do the efficient work for the Government. For instance, a young lady comes into the office a bright, intelligent young lady, able to do good work in the matter of ordinary clerical service, but she has never had any training or any experience in business affairs; in fact, she has grown up under the idea that a business proposition is a mysterious thing that nobody but a business man can understand. It takes weeks and months, and sometimes you can not accomplish the result, of disabusing the mind of that person of that impression.

Now, if before they are employed they were required to take some business training, probably a course in double-entry bookkeeping, or a preliminary course in the laws relating to contracts and the business elements that enter necessarily into these matters, and that they must now learn after they go in at the expense of the Government, you will have gone a long step to develop efficiency. Under present conditions it is nothing uncommon for these offices to be supplied with many people that are wholly inefficient, and never will succeed

The Civil Service Commission should provide eligible register for accountants and thus single out that question from the ordinary routine work of clerks. Suppose in connection with that the business institutions of the country, the business colleges, and the business high schools be given this information, they would be only too glad to put it into their courses of study. By that means you distribute and arrange the study throughout the country for this work, and in a short time you would be getting a trained force for the work of the accounting offices. Now, the salaries of those particular people have to be better than they are now in order to secure clerks with that kind of training, but the Government would then have a trained force to begin with so far as preliminaries are concerned.

The matter of the promotions and the advancements, I think each auditing office, each auditor should have absolute control of his force.

Under this system I think the controller should be not only the legal head but the executive head of the service. The various bills proposing the creation of auditing systems as parts of a budget system, I think, would be a mistake, for the reason that it would involve such material changes in the present plan as to lead to a vast amount of confusion and a great deal of waste. An accounting system was outlined distinctly in the report of the Dockery Commission, and I take it for granted that you have in your files all the data and references thereto.

I have here a copy of a report of the Auditor for the Treasury Department for 1911, which contains references to those reports and some other matters bearing upon this subject. I shall not take up your time in reading it, but will leave it with you.

There are some other points in regard to the Customs Service in a hearing before the Committee on Expenditures in the Treasury Department on July 11, 1911, which I will leave with you for reference.

Here is a copy of the Dockery law compiled in pamphlet form, which is a part of my files, referring to the report of the Dockery Commission in connection with this matter. The commission, as you well know, spent considerable time in a review of this subject. That record, of course, is in your files.

No agency of the Government goes more minutely and extensively into the details of the affairs of all the administration than the accounting system. This condition will have an uplifting effect on the administration on the basis of a double audit. To make a change in the present accounting system, which is working efficiently and smoothly in all its details, after years of careful study by this commission and careful accountants, which has been matched into the business of the various departments, I think, in a very successful way—to change that system and throw into existence a new accounting system, as some of the bills propose, would lead to great loss and would be a serious mistake. Referring to the question of the Hall of Records and the location of these various auditing offices in that Hall of Records, the Government is carrying a tremendous risk year by year in allowing these records to be thrown about and misplaced, making it extremely difficult to find references to things that are needed in the history of previous years. I need not dwell upon that

further than to mention the fact and suggest the interest I have and the very serious risk to the Government.

Now, if this auditing system is made either independent or under the control of Congress, as the final judgment may direct, you would lift the accounting system to one of efficiency for service to Congress and the country, which can never come without it, and 100 years of experience have demonstrated that it will never get above its present condition under administrative control.

Mr. BYRNS. Mr. Andrews, of course every member of the committee is thoroughly familiar with the fact, but I think it should appear in the record that you speak with peculiar knowledge of accounting, not only as a result of long and earnest study of the financial system of the Government, but also by reason of actual experience covering a number of years as Auditor in the Treasury Department.

Mr. ANDREWS. I refrained from mentioning that fact because I did not want to give it a personal bearing.

Mr. BYRNS. I merely wanted the record to show it.

Mr. ANDREWS. Now that you have referred to it, I think it might be appropriate for me to say that I served in the House before I went to the Treasury. I was in the Treasury Department 18 years lacking 40 days.

Mr. TINKHAM. In what capacity?

Mr. ANDREWS. As Auditor for the Treasury Department, where I had to handle the whole volume of the Government departments in detail or in bulk, with the exception of the postal affairs. I handled in detail all the customs business, all the internal-revenue business, all of the Treasury accounts, practically the collection of all of the customs and internal revenue. In addition to that, the Treasurer's general account, submitted quarterly, contains all the expenditures and collections from all the departments except the Post Office Department. In that would be a grouping of the entire scope of the Government business with the exception of postal affairs.

Whenever there was a deficiency, and ordinarily there was, they would have an appendix of a few million dollars—ten, twelve, fifteen, or twenty million dollars. One year that was cut off. They had an operation for appendicitis and eliminated the connection between the two, and they had a small surplus. So that in that connection I viewed these conditions in all the departments of the Government from the first year I was there, when the payments in and payments out were \$2,779,000,000. Each year the figures doubled over in payments in and out. Last year it was \$8,000,000,000. Now, in all that business the important line of economy is the elimination of unnecessary details and the development of the ability of each clerk to turn off an increasing volume of business with ever-increasing accuracy. That can be done through the head of the bureau and the heads of divisions and in no other way. No commission can ever reorganize that system and make it work otherwise. As an illustration, in that connection I will say to my clerks: "Here, do you ever want a promotion"? Of course, there is but one answer. I say, "You must demonstrate your increased commercial value to get it. I want you to study ways and means as you go along whereby we can eliminate unnecessary details, and I want you to find the errors when they appear." I kept a record day by day, month by month.



and year by year for each clerk. If you get that spirit of encouragement in clerks, what is the result? Frequently I would go up into a room and watch a clerk and see him thumbing papers and reading the fine print on standard forms. I said, "What is the use of that? You know what is in it. That is a standard form. What are the vital points in it? Computations correct, etc.? Shake it up, come back and tell me how many vouchers you turn off the next day." He doubled his work, then trebled it, and quadrupled it. It is a matter of concentration of attention upon those vital points, and, right there, if you had an agency to go through the departments and see that that was done you would accomplish more than in any other way.

Mr. GARNER. Would you have that carried out by the auditing department as a part of its functions?

Mr. ANDREWS. You could not do it, because it must rest with the heads of departments and must go down through the chiefs of bureaus.

Mr. GARNER. I do not believe you have spoken about the budget matter yet, Mr. Andrews.

Mr. ANDREWS. I did not know that I was to speak on that subject. I did not want to assume the right to discuss a question I was not asked to speak about.

Mr. TINKHAM. Have you discussed the question of a presidential or executive budget and the legislative treatment of it, if we should have a presidential budget?

Mr. ANDREWS. If the committee desires me to discuss that question, I should be very glad to give you the benefit of any information I might have. I did not understand I was to go into that to-day. I understood the time was arranged for others. I do not want to take up your time, but there is just one suggestion I will make.

A few minutes ago Judge Green was discussing the question of putting an executive force on the budget and bringing it up to its best condition. I have had considerable experience in the Treasury Department in going over the Treasury details in making up estimates for the regular publications, and in that way I have learned what the general plans were. Whether those plans have changed or not I do not know. There is one observation I want to make which may be of value. Each bureau was required to submit its estimates, just as the chairman suggested that the man in business would call for his foremen in the different divisions of his company. Then they would go to the assistant secretary, who would take them up and go through them and have a conference with a number of different heads of offices and bureaus, and the question for a month or two was, "Can you reduce the estimates"? Many times they have been reduced considerably. When they come through and the Secretary of the Treasury thinks he has hammered the matter down to a finality, as he sees the needs of the service, the members of the Cabinet take his findings and go to the President in a Cabinet meeting, where frequently they are increased. If you can not put a budget on a practical basis by that method, you are not going to get it in an independent organization.

Mr. GARNER. In other words, it depends, after all, on whether the Executive and his ministers are willing to cut to the bone in order to have economy?

Mr. ANDREWS. And if he can not induce his ministers to do it, how is he going to induce a man to do it who is not in touch with the

actual financial operations of the Government? You are not going to do it.

Mr. TINKHAM. If the responsibility is put upon the President in making a recommendation in a unit way at the beginning of each year, and publicity is given to that fact, and that is the big financial fact of every administration, by centering that responsibility which to-day is not centered upon him but is scattered, are you not going to have a responsibility the result of which will be efficiency and economy such as you are not having to-day?

Mr. ANDREWS. I think that will be accomplished by the President through the members of the Cabinet. Many of these bills suggest increases of salaries, controllers and assistant controllers, etc., and considerable salaries for the direction of the budget. I think that is an exhibition of impractical economy to begin with. I do not believe, in order to get this efficiency, that you need to increase these salaries to begin with. If the development of the plan after the new program is in operation shows the need for it, then will be the time to make the increase.

Mr. TINKHAM. Then you are really opposed to a presidential budget?

Mr. ANDREWS. Oh, no. Do not understand me that way. I doubt the increased efficiency in the service by the creation of what is termed a budget bureau with a director of budget appointed by the President with the idea that he, as a presidential appointee, will do some things that are not accomplished now. The Secretary of the Treasury is a presidential appointee, and if any man in the country is interested in his own reputation, in the administration of his department and the administration of his chief, in having an economic outcome that will be commendable, he above all men is the man.

Mr. BYRNS. There are laws now on the statute books which if fully carried out, and the machinery is given to carry them out, give the Executive full power in connection with the heads of departments thoroughly to revise the estimates that come from the various bureaus.

Mr. ANDREWS. There is no doubt about that. I think he has sufficient power to do now, from the standpoint of the budget, all that could be accomplished through any other agency, even though you spent a million dollars to keep it up.

Mr. BYRNS. Whether or not he has the machinery to do that is another question.

Mr. ANDREWS. It depends on the working out of a plan in the department for well-trained people to make the analysis.

Mr. BYRNS. If you take an outside man and put him into the department he has a prejudice against him from start to finish. If a man goes from the Cabinet into a department of another Cabinet officer there is a very different feeling. Do you not think the appointment of some executive assistant, some sort of executive secretary, would be of very material assistance to the President?

Mr. ANDREWS. No doubt about that, but I believe that if the matter comes up through the Cabinet officers to the President, with the machinery below it to carry it into effect, you will get the best results.

Mr. TINKHAM. You believe it is an excellent idea to have the President at the beginning of the session report the total appropriations and the total revenues, with suggestions?

Mr. ANDREWS. Oh, those facts ought to be all set out as an administrative act in order to have a basis for the estimates.

Mr. TINKHAM. That ought to be done now?

Mr. ANDREWS. That ought to be done now by simply supplying a few trained experts along particular lines to do the regular work of putting the data into shape, relieving the department heads and the President of any detail work which they can not undertake.

Mr. TINKHAM. You would not think it objectionable for us to report out a bill which would locate the responsibility and the duty of the President a little more clearly in relation to a general statement?

Mr. ANDREWS. I think it would be helpful and would result in the application and enforcement of laws already on the books. In other words, if additional legislation was furnished to make it imperative that these things should be carried into effect in a systematic unified way, I think that would be a remedy. That is all, Mr. Chairman.

The CHAIRMAN. The committee is very much obliged to you.

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SATURDAY, SEPTEMBER 27, 1919.

**STATEMENT OF DR. ROBERT S. BROOKINGS, CHAIRMAN  
INSTITUTE FOR GOVERNMENT RESEARCH.**

The CHAIRMAN. Dr. Brookings, you are chairman of the Institute for Government Research?

Mr. BROOKINGS. Yes, sir.

The CHAIRMAN. How long have you occupied that position?

Mr. BROOKINGS. For a few months only. I was vice chairman from the date of its organization. I was one of its organizers. About a year ago President Goodnow, who was the original chairman, was unable to give it any attention and I assumed the chairmanship.

The CHAIRMAN. Mr. Willoughby has already explained to the committee the organization of the institute. Would you mind stating to the committee your business in private life?

Mr. BROOKINGS. It has been rather mixed. I have been a manufacturer pretty much all my life. I retired from business some 20 years ago. I have been president of Washington University, so that I have had a mixture of business and academic experience, but I should prefer to qualify as a business man.

The CHAIRMAN. During the war you have been——

Mr. BROOKINGS (interposing). Chairman of the price-fixing committee during the war.

The CHAIRMAN. The committee would be very glad to have you make a statement with regard to the need for some change in the laws relating to our financial system, and if there is any general statement that you desire to make along the line of necessary budgetary legislation, the committee would be very glad to hear it.

Mr. BROOKINGS. I would say, Mr. Chairman, that my attention was first called to the necessity for some legislation covering our business methods during the Taft administration. I knew Mr. Taft personally very well, and just before he made his budget report to Congress he asked me to come to Washington and go over it with his

expert, Dr. Cleveland, which I did, spending several days, and naturally I became more interested and probably more familiar with the details of government and the probable needs of a budget system, as I saw it from a business point of view. So that I have been interested in the problem, and without any unnecessary verbiage, I have reduced my business judgment of the problem as I see it to placing myself, if you will permit me, in the position of the Congress, and I should say to the administration: "While I am responsible for the financial policy of the operation of the Government, you are responsible for carrying out the details of the financial policy which we may adopt. In dealing with this detail you should certainly be familiar with the sources of revenue and the sources of disbursement. You have been in the habit of submitting to Congress these problems in a half-baked way, placing upon us the responsibility of digging out a lot of information through grilling your bureau chiefs, a mass of detail that properly belongs to you and for which you should assume the responsibility, because you have a detailed knowledge of the facts which the legislative body is not supposed to have. Therefore we say to you that in future we want you to bring to us a coordinated concrete budget showing our expected revenues and their sources, and our proposed expenditures in sufficient detail for intelligent criticism. If there is any grilling to be done with your bureau chiefs or others, we wish you to do it, not but that we will submit your recommendations to the most detailed criticism, but we insist that much of this work could be done by you and the responsibility assumed by you when you request us to adopt a budget which you submit." As a simple business proposition, I should want a concrete problem submitted to me showing expected receipts and disbursements, and I should wish it in the most minute detail, supported by estimates, segregated in the manner of its presentation so that I could submit it to the most thorough criticism, as Congress would probably wish to do, but that it should come up to me in that shape and that the authority who submits it should assume the responsibility of ascertaining whether or not there is unnecessary duplicate service in the departments and whether the estimates are padded with the expectation of having them cut down.

In other words, I should want an expert, scientific, responsible, concrete problem put up to me, if I was to exercise ordinary business judgment in solving it. Having received such an estimate, if I felt that my responsibility was such that it should be subjected to criticism, it would be up to me, the Congress, to determine the extent and the method of that criticism. That is a matter of Congressional procedure and I assume the Congress is more capable of determining it than I should be to advise, but that Congress should place the responsibility on the administration of submitting a clear, definite, concrete proposition of estimated receipts and disbursements and be responsible for it in its every detail seems to me to be beyond question.

Now, the numerous details which are being discussed as to the organization or method, as to whether the President, being the responsible head of the administration, should use the machinery which he now has, through the Cabinet, supplemented, because it would have to be supplemented, by certain assistants, or whether, owing to the relation of the different Cabinet members, it should be

better to formulate an entirely separate organization or machinery through which the necessary criticism to bring about a concrete budget would be produced, are matters of detail, I should say. I have given no great amount of thought to that detail, but in a general way I feel that the Cabinet has all it can attend to as now organized and there might be personal differences that would make the service less efficient.

After all it is purely a matter of expert criticism of the requirements of these departments, and the machinery for doing that work must be created. Whether it is directly responsible to the President or whether it is responsible to the President through the members of the Cabinet, is a question. Personally I believe it would be better to be independent of the Cabinet.

I think, generally speaking, Mr. Chairman, this is a presentation of my views. You will observe that I have not gone into the matter of procedure because I think that is a matter with which Congress is abundantly able to cope. But that the Congress itself should permit estimates to be submitted to it in the half-baked form that it has permitted, subject to it assuming responsibility and labor which primarily belongs to the administration, I think is bad business.

The CHAIRMAN. Then you would have the National Government, so far as its financial problems are concerned, adopt those principles which successful business men have found absolutely necessary——

Mr. BROOKINGS (interposing). For efficiency.

The CHAIRMAN (continuing). In order to conduct their business on an economic, efficient, and successful plan?

Mr. BROOKINGS. Those are my views.

The CHAIRMAN. You think the President should originate the budgetary estimates?

Mr. BROOKINGS. As the responsibility of both receipts and disbursements is placed upon the President, or the administration, and the authority is there, I certainly feel that he should submit to the Congress in a coordinated concrete form a business plan which will show receipts and from where they are expected to come, and expenditures with details showing where they are expected to go.

The CHAIRMAN. Take a large business organization to which the president gives his time and attention in the conduct of its affairs. Suppose not infrequently he has a board of directors who, while giving some attention to the affairs of the business, in many cases have their business or professions to which they give attention. Now, suppose the president of such an organization would submit his budget at the annual meeting of his board of directors and that matter would be thoroughly considered. It is not considered a lack of confidence in the president or the general manager if there are modifications of his suggestions after a thorough study and consideration by the board of directors, is it?

Mr. BROOKINGS. I think not; no, sir.

The CHAIRMAN. You think that some such general principle ought to obtain in general legislation?

Mr. BROOKINGS. Without following your theory into detail, I should say the principle is all right. I do not know how it would operate in congressional procedure. I certainly think it is the right and the duty of Congress to submit anything in the way of a budget which the President presents to the most thorough criticism, and it



ought to be submitted in such manner as to make that criticism easy and reasonable.

The CHAIRMAN. Mr. Brookings, do you desire to say anything in regard to another feature of the proposed system, relating to the audit and control of the expenditure of appropriations after they are made?

Mr. BROOKINGS. As to the details of the expenditure of the appropriations after the expenditure is made, as discussed by one of the gentlemen this morning, I can not say that I have thought very much about it. I have always felt that the Congress should have a controller general, if you choose, to whom they could look for an accounting of what the administration had done with the appropriations which they have made, and should expect that that controller, in checking those results, would develop any weaknesses which, when the original appropriations were made, might not have been known. In other words, if the budget statement contained demands or requests which were entirely out of line with developed needs, Congress should be informed of that fact for such future use as they might be able to make of it.

The CHAIRMAN. That in itself would rather force the bureau chief or the person who was furnishing the President, or the director of the budget the information, to submit only estimates of expenditures where the need was at once apparent?

Mr. BROOKINGS. I think it would have pressure in that direction. I think the grilling he would receive through some administrative agency through which the estimates are submitted ought to put a limit on them.

The CHAIRMAN. We thank you very much, Mr. Brookings, for coming before the committee and for the statement you have made.

Mr. BROOKINGS. I feel a very intense interest in the problem we are all trying to solve.

TUESDAY, SEPTEMBER 30, 1919.

**STATEMENT OF HON. SWAGAR SHERLEY, DIRECTOR DIVISION OF FINANCE, UNITED STATES RAILROAD ADMINISTRATION, WASHINGTON, D. C.**

The CHAIRMAN. Mr. Sherley, several bills and resolutions have been referred to this committee. In the hearings we have not, thus far, considered these several bills and resolutions, but have been trying to confine our consideration rather to the principles upon which sound budgetary legislation ought to be based. Your work as chairman of the Committee on Appropriations of the House, and as a member of that committee for a number of years, has given you an opportunity to study this problem from its practical as well as its scientific viewpoint, and the committee is very anxious to have you make a statement giving your views on the subject of a national budget.

Mr. SHERLEY. Mr. Chairman, I shall be very glad to be of any service I can to the committee. I am conscious that a good many things I may say will be the A B C's to a committee composed of men who have had the experience that you gentlemen have had in Congress, and yet it may be worth while to say a few of them.

they are not only not the A B C's of many critics of government, but they are frequently not even known or considered by people who have not had some actual experience with government; and in that connection, the one thing I have been impressed with, as a result of 16 years of legislative service, is that government is a matter of evolution and that it is a creature of habits, both good and bad, as much as the individual is, and that the failure of nearly all reforms that are suggested from the outside is due to the failure of the proponents of them to recognize this and in undertaking to revolutionize the character and habits of the Government, and particularly of the legislative branch, and as a result they encounter opposition that could have been avoided if they had had more knowledge of the institutions they were undertaking to remold.

For instance, one of the most common things that one reads and hears talked of is the fact that England has a budget system and that America has none, and that somebody ought to have sense enough in Congress to adopt the English system.

Any one at all acquainted with the fundamentals of the English system of government knows that you could not use it in America without a complete change in many constitutional provisions that fix the character of our Government; that the basic theory of our Government makes impossible the carrying out of the principles of the English budgetary system. But it does not follow from that that an American budget system may not be evolved.

At the time of our independence England had not developed that system of responsive Government that has since been the model for so many other nations, and a budget as a method of fixing responsibility was in its modern sense practically unknown. The elements of a budget system, however, are found in the Constitution. You will recall that Article I, section 8, provides that "the Congress shall have power to levy and collect taxes, duties, imposts, and excises." Section 9, paragraph 7, provides that "no money shall be drawn from the Treasury but in consequence of appropriations made by law, and a regular statement and account of the receipts and expenditures of all public money shall be furnished from time to time." By these provisions Congress, as the legislative branch, is given primarily and theoretically complete control over taxation and expenditures. But by virtue of other provisions in the Constitution, giving to the President the power and duty to administer the law with the right to appoint administrative officers, such actual control over expenditures as is exercised by Parliament under the English system is in many ways impossible here.

The theory of the makers of the Constitution was a separation of the executive, legislative, and judicial departments, a separation that has continued and must continue in the absence of a radical fundamental change in our Constitution. And as I have indicated, that makes unnecessary of consideration the many propositions presented that are predicated on the idea of a ministry that is the government and comes out of and is answerable only to the legislative body, where they prepare and present a budget, and on its legislative success or failure depend their ministerial lives. Here the President, chosen by all the people and absolutely free from accountability to Congress, save only through impeachment for malfeasance in office,

selects his Cabinet officers, who by express constitutional prohibition may not be Members of Congress. These Cabinet officers are responsible to Congress in no true sense of the term; their tenure rests with the President, and while Congress may and does impose duties upon them, the proper performance of such duties is in no effective way now supervised by it. We have not developed a real budgetary method, but Congress has made some provisions toward a true budget of great value, and before I discuss changes I want to briefly allude to present requirements. First is the one requiring the departments to submit detailed estimates of needed appropriations for an ensuing year.

The estimates must be submitted to the Secretary of the Treasury by the 15th of October each year and by him submitted to Congress upon its opening in December of each year. It is made his duty to assemble them and to present them to the Congress in the form that has been usual in presentation of the estimates of the various departments; and if they are submitted to him in a form other than that in which they have heretofore been submitted, it is his duty to put them in the proper form, leaving to a footnote any suggested change in form. Recently it has been made also his duty to estimate the revenues of the ensuing year and the appropriations probably necessary for the maintenance of the Government; and if it is found that the appropriations will exceed the estimated revenues, then he shall certify that fact to the President of the United States, that the President in communicating to Congress may inform it how the appropriations can be curtailed or the revenues increased. Many other provisions of law exist touching the preparation of particular estimates, concerning which you are familiar. All of these various laws are ones limiting the discretion of the administrative officers. These limitations are frequently the cause of useless trouble and expense in particular cases, but Congress, having, as I have indicated, no real direct control over the departments and constantly finding abuses, is forced into continual limitations upon the discretion of all these officers. Congress, in brief, distrusts them, and they in return frequently assume an attitude of hostility toward its will.

And this is a condition that is not simply the result of an improper presentation of estimates and expenditures, but grows directly out of the facts I have just stated of Cabinet officers having a fixed tenure and a responsibility, not to the body granting the funds but to the Executive, who is to see to their expenditure. Now, in the preparation of the estimates of the departments each Cabinet officer acts on his own responsibility, and while they are all transmitted to Congress by the Secretary of the Treasury, he is simply the messenger for the various departments, and there is no true budgetary consideration of them.

And in this regard I have always been struck with the fact that the blame for this lack of system is nearly always placed upon the Congress of the United States and we are told always of the efforts that have been made by administrative and executive officers in the past to bring about budgetary reform and the opposition that has been encountered in Congress.

Yet I believe it to be accurately true that to-day there is, and has been in the past, nothing to prevent an Executive from considering the receipts and expenditures necessary and desirable for the Govern-

ment from a true budgetary standpoint except the desire; in other words, that there have always been the right and the power of the President of the United States to compel such a consideration of the needs of the Government by administrative officers, and having so considered it he could bring the result of such consideration to the attention of Congress, even though he now might have to submit in addition estimates as provided by existing law.

But inasmuch as this has not been and is not the practice, it seems to me that the first step in order to develop a true budgetary system is to provide the Executive with the machinery for properly performing this duty, and I have no doubt it would then be performed.

The President of the United States, in my judgment, should require a consideration at the Cabinet table of the estimates of the various departments as they are brought forward by the various Cabinet officers, with a view to determining the aggregate of estimates that shall be submitted, having in mind the burden that all expenditures place upon the Government, because government obtains money only through taxation, and expenditure means taxation upon a people, either direct or indirect. An attempt was made to bring about this result in the requirement that I have alluded to—that required the Secretary of the Treasury to estimate the revenues and where he found them insufficient to meet proposed expenditures to bring such fact to the attention of the President. But the provision is manifestly inadequate, for such consideration of receipts with expenditures should be made irrespective of which is likely to be the greater.

Mr. TINKHAM. Who would do the revising in the Cabinet, Mr. Sherley, under your proposition?

Mr. SHERLEY. If you will permit, I will be glad to come to that in just a few moments.

The consideration that the administrative officers should give to estimates is not simply a consideration of the desirability of expending a certain sum of money for a certain purpose, but the desirability of expending that money for that purpose, having in mind the need to expend other money for other purposes, and having further in mind the total burden of taxation that these various expenditures will entail. In other words, no preparation of estimates to my mind, performs the true purpose of consideration and of preparation that fails to consider, not simply the value and cost of doing a particular thing, but the relative value and cost of it, having in mind the doing of other things and the burden that results.

That being so, the great vice in the preparation of estimates in the past, to my mind, has lain in the fact that what has been considered has been the separate items—sometimes very great and relating to very large activities—but the consideration of those items, separate, so to speak, from a consideration of the others, and the failure to cast up, except in a very loose, general way, the sum total of expenditures that the various activities contemplate, and the burden and method of taxation they will require.

Now, the remedy for it, first, is a real desire on the part of executive officers to formulate an administrative budget, and second, the machinery to enable them efficiently to do it. The provisions of H. R. 1201, the bill of Mr. Good, seems to me to deal very well with



this phase of the matter. I have not examined it very carefully as to all its details, but, speaking broadly, I agree with its provisions.

The gentleman from Massachusetts asked me a few moments ago to whom I would give the power, so to speak, of viséing the estimates of other departments, and that is a question about which I have thought a great deal and about which I speak with some diffidence.

My thought, in the past, has been that the Secretary of the Treasury should be made the true premier of the Cabinet, and as Secretary of the Treasury should be charged with the function of revising the estimates of his colleagues, but the more I think about that the more I have come to doubt the wisdom of such a provision. The advantages of it are that Congress could very clearly and very directly make it his duty. The Secretary of the Treasury is more peculiarly the officer and agent of the Congress of the United States than any Cabinet officer, and Congress would clearly have the power to require him to perform these functions. But there is necessarily engendered, through such procedure, a friction between that Cabinet officer and other Cabinet officers that might very seriously impair the usefulness of his work and the harmony that ought to exist between executive officers so intimately related, and I have, therefore, rather been led to the belief that the President should be given the facilities for having brought to his attention a consideration of the estimates submitted by the various heads, and that he must then, at the Cabinet table, have determined, under his direct supervision, this question of revision of the estimates of various departments by the Cabinet officers.

It is very difficult, it seems to me, to give primacy in the true sense to any member of the official family of the President, and, after all, the responsibility rests upon him, and his hand should really be the guiding hand to determine what involves not only a question of expenditure, but through expenditure, the question of administrative policy on the highest sense.

I have come, therefore, rather to the opinion that it would be desirable to place under the President a sufficient corps of assistants to enable him to acquire the information that he desires and to perhaps put at the head of that an officer whose title and relationship would be such as to plainly indicate that he was the particular, confidential, close executive officer of the President. If you simply make him a bureau chief in the ordinary acceptation of that term, you will obtain the irritation of all the Cabinet officers at dictation from a bureau chief, in a sense, even more marked, than if you made the Secretary of the Treasury or some other Cabinet officer the medium for performing this work. But if you make him, so to speak, the close, confidential agent of the President who brings to the President the information whereby the President, in turn, brings to the Cabinet the data that enables them as his advisers to determine the question, I believe that it would be possible to bring about the harmonious cooperation so necessary for a real reform, for back of any machinery, back of any possible plan, must be the desire on the part of the executive and his official family to work out the result.

Mr. TEMPLE. The suggestion was made here the other day that the head of the budget bureau should be a special secretary or executive secretary of the President, in order to give him that close relationship.

Mr. SHERLEY. I have had in mind just such a relationship without undertaking to designate the particular title he should bear by.



I believe what will evolve out of it will be a corps of trained men who, if they are efficient, because of their efficiency will possess practically life tenure. The clerk of the Committee on Appropriations of the House of Representatives is subject to removal by a vote of the committee, and yet I doubt if any committee, no matter what its political complexion might be, would feel disposed so to handicap itself by losing the services of a trained expert as to want to make any change as long as they could retain the services of the present clerk.

Mr. TEMPLE. What about the head of the bureau, the President's personal representative?

Mr. SHERLEY. I am rather of the opinion that the head should be subject to his appointment.

Mr. TINKHAM. And subject to change with the administration?

Mr. SHERLEY. Yes.

Mr. TEMPLE. Which would emphasize the President's individual responsibility.

Mr. SHERLEY. But if he has under him a corps that he inherits of men who are efficient there need be no interruption of the efficiency of that bureau by virtue of the limited tenure of its head.

Mr. MADDEN. What would you think about such a corps requiring the preparation of a history of the activities, in detail, of all the departments as a part of the information upon which it would be able to base its study of the needs.

Mr. SHERLEY. Mr. Madden, my thought about that is that this new service to the President will evolve, and I question very much whether any of us are wise enough to undertake to describe, except in very general terms, the functions that shall be performed; but if the corps is worth its salt, it will accumulate from year to year information that will enable it to give to the Executive, and through him to the Congress, accurate, full and detailed information touching every activity of the Government. And in that connection I have in mind that one of the things that should come about in connection with the work of this bureau and the action of the Executive and the Cabinet in submitting estimates is a change in the form of those estimates, so that when they come to Congress they will come in such form that they will not require anything like the time in their examination, either in committee or on the floor, that they now require.

I am sure the chairman of the Committee on Appropriations will bear witness to the experience of every predecessor of his, that one-half, if not more, of his time is given up not in determining what the committee should recommend but in ascertaining what is requested; that the estimates come in such form, with the information so meager, and the style of statement of accounts so varied as to require him to expend hours in determining that which should have been prepared for him in advance.

The CHAIRMAN. I think you have used the expression before, which is rather homely but very forcible, that they were half-baked, and I believe that expresses the view you have.

Mr. SHERLEY. Well, it was particularly illustrated in connection with the war. Of course, much allowance had to be made for administrative officers working under the tremendous stress of war condi-

tions, and yet it remained true that bureaus of the same department would present estimates in such varied form that it would require days of work, literally, to understand the exact accounting basis on which they were made up. Any one system, no matter how bad, if it had been uniform, would have saved the time of the committee and of the Congress as against many systems, some of which were very good and some of which were very bad. This has had a very great effect upon the evolution of government. It is one of those things relating to the mechanics of government that go very much beyond simply a method of doing things and has an effect upon what is done in matters of great policy.

The Congress for many years past has been crowded for time, and particularly has the House of Representatives been so crowded for time that it has been forced to accept, in many instances, policies as outlined by administrative officers rather than determining those policies for the Government as it should do and as it was intended it should do, and that has resulted from the need of a detailed consideration, in order to prevent abuse, of a lot of matters that should be purely routine and that should be so stated in estimates as to make the determination of giving, or not giving them, easy; and the moneys, after being voted, should be so accounted for as to enable a real committee on expenditures to ascertain the efficiency with which they have been expended.

Instead of that, we have constantly sought to avoid administrative abuse by curtailing the discretion of the administrative officer. The effect of that has been to deny to an efficient officer that freedom of action that would enable him to bring about economy and efficiency and has simply afforded to the inefficient officer an opportunity for the exercise of his ingenuity in avoiding the restrictions that Congress has placed on him. We all can recall in the past debates of great length over things that are comparatively unimportant. What I think is peculiarly to be desired is to have brought to the Congress estimates in such form that a great part of the routine of them can be voted almost as of course, and the time both in the committee and on the floor given to appropriation bills can be curtailed, and thereby freedom to the body given to consider great questions of policy that to my mind ought to originate and be determined in that body which so directly is responsive to the people who elect it every two years.

Assuming the submission of estimates in a proper form to the Congress, Congress itself, in my judgment, must change its method of procedure, and it will not obtain any great benefit from the executive's reformation if it does not, in turn, change its habits to quite a marked degree in considering its estimates.

The very purpose of requiring the executive to consider estimates not only as to their own value, but as to their relative value and then to submit a program as a whole is to fix responsibility on his part for what he asks, and then Congress should meet that responsibility by the exercise of its own responsibility which is in determining to what extent it will grant what the executive asks. The executive should so ask it and the Congress should so determine it that the responsibility for the result will be clearly known. As it is now, it is difficult to place upon the executive responsibility for sum totals, because there is no period at which sum totals are ever considered by him

until the events are passed and gone; and it is equally difficult to determine the responsibility of Congress, because it also, at no stage, considers sum totals except in counting up what has been appropriated and spent.

When the estimates shall have come to Congress, it is my belief that the House of Representatives should, through one committee, consider the estimates as a whole, and should recommend to the House the totals that should be appropriated for the various departments, and that that should be done without a consideration of all the detailed items that go to make up the total.

Whether that shall be done through the creation of one committee that alone shall have the power to appropriate subsequently in detail the sums for the various bureaus or whether it shall be done through a committee that shall fix a limitation upon other appropriating committees is a question about which there has been a great deal of difference of opinion. My own belief had been that it was desirable under present conditions to create a committee composed of the various appropriating committees and, perhaps, if you desired it, of the authorizing committees, which should recommend to the House the sum total of moneys which should be appropriated, and when this recommendation was approved, either completely or by modification, it would then act as a limitation upon the power of each of the present appropriating committees.

Mr. MADDEN. What would happen when it goes to the Senate? Have you thought about that?

Mr. SHERLEY. I have thought about it a great deal without being able to give a satisfactory answer, Mr. Madden. The system of two Houses makes very much more difficult the working out of a budgetary system.

Mr. TEMPLE. What is the difference between the Government in this country and the Government in England on that point?

Mr. SHERLEY. As I understand the English Government, and I speak not with the full knowledge, perhaps, that I should, the House of Commons has absolute power touching the voting of moneys for the Government, and the House of Lords does not even now have the veto power that it possessed some years ago.

Mr. TEMPLE. Nor the power to amend.

Mr. SHERLEY. No.

Mr. TINKHAM. I would like to ask you two questions, Mr. Sherley. How large would you have this central committee?

Mr. SHERLEY. I introduced in one of the previous Congresses a resolution which, as I recall it, called for a committee of something like 26 members. The resolution I introduced was in the following form:

*Resolved*, That the following rule be added to the rules of the House, to be known as section 6 to rule 16:

6. There shall be a committee on estimates and expenditures, whose personnel shall consist of the following members: The chairman and three ranking majority members and the ranking minority member of the Committees on Ways and Means and Appropriations, and the chairman and the ranking minority member of the Committees on Rules, Agriculture, Foreign Affairs, Military Affairs, Naval Affairs, the Post Office and Post Roads, Rivers and Harbors, and Indian Affairs. The chairman of said committees shall be selected by the members thereof. Said committee shall, as soon after the convening of each regular session of Congress as may be, report to the House the amount of revenue probably available for appropriation for the next

fiscal year, and apportion the amount to the several appropriation bills within the jurisdiction of the committees empowered by the rules and practice of the House to report appropriations from the Treasury. This report, or supplementary reports to meet exigencies of the public service, may be made on any legislative day after the reading of the Journal, and when agreed to by the House shall limit the totals of the appropriations reported by the several committees.

The proposal was substantially this: That instead of undertaking what I believed to be the impossible task of bringing back to the Committee on Appropriations jurisdiction of all the supply bills, to create a committee composed in its personnel of the heads of the various appropriating committees. I gave to the Committee on Ways and Means representation greater than any other committee except appropriations. I did that because the Committee on Ways and Means is properly charged with the great function of determining the amount of revenues that shall be available. I gave to the Committee on Appropriations a preponderance over other appropriation committees, not out of partiality for that committee, but because it has under its charge six of the great supply bills, whereas the other great appropriating committees have only one, except in the instance of the Committee on Military Affairs, which reports two supply bills. I also made as a part of that committee the chairman and the minority member of the Committee on Rules, because that is necessarily the great political committee of the House and should have a voice in a matter so fundamental as the arrangement of a budget.

The personnel of this committee could be changed to meet the wishes of the House. I am not sure but what it should have upon it the Speaker of the House and perhaps representation from committees having power to authorize appropriations even though they possessed no direct appropriating jurisdiction.

My judgment is that it ought to be a committee of considerable size, because it is going to be a political committee, and I am not sure but what it ought to be a political committee. The majority of that committee will formulate the total that it will recommend to the House, and it will formulate the large subtotals that go to make up the grand total of that expenditure. The minority of the committee will offer a counter proposition, either in varying the sum total or in varying the distribution of that sum total, and there you will have created a real party issue between the two parties, and you will invoke what I think is so tremendously desirable to the people of America, a great debate which will deal with the big, fundamental expenditures of the Government and will, through that debate, determine the issues.

I think it is, perhaps, I should not say comical, that is too strong, but I think it is rather surprising that we should have so many of the issues that divide parties come as the result of the determination of men outside of the National Government through party resolution rather than through the activities of the parties in actually legislating for and administering the National Government.

Mr. MADDEN. As a rule, appropriations do not enter into the consideration of the formulation of party policies.

Mr. SHERLEY. They do not for this reason, Mr. Madden, that it is impossible to focus the attention of a practical people upon thousands and tens of thousands of details. They have neither the inclination, nor the technical capacity to so follow through to

come to a conclusion of any great value, and one of the misfortunes with respect to much of the debate in Congress to-day is that it is debate relating to details about which the public are not informed and can not reasonably be expected to be informed. The result is that there is no particular attention paid to it, except as the public feel through their pocketbooks, because of taxation, the result of appropriations and expenditures.

Mr. MADDEN. I think your conclusion is manifested in the preparation of appropriations and the debates on those questions.

Mr. SHERLEY. Until recently Uncle Sam was so rich that, to use a homely phrase, he could get drunk without a headache. He did that over a long series of years. He would go on sprees of expenditure that did not attract any great attention, because the wealth of this Nation was so great that they never really placed any truly heavy burden upon the people.

The CHAIRMAN. Your plan would also involve a change in the matter of taking away from Members the right to offer amendments to increase appropriations?

Mr. SHERLEY. I would be glad to come to that in a moment.

Mr. TEMPLE. I would like to ask you a question about that matter of policies: Do not the policies upon which parties will differ naturally find expression in the governmental activities which require appropriations, and is there any more natural place for policies to express themselves than in matters of appropriations?

Mr. SHERLEY. Manifestly not. Of course there are a good many expenditures that are inherent in Government, and those ought to become routine so that the voting of them would be a matter of course. It is folly for the Congress to have to read over year after year items for the expenses of the various permanent offices that are going to be appropriated for and in the same amounts each year. It is simply a waste of time. But what you stated is particularly true—that is, that the Government can perform no activity except as the result of the expenditure of money, and it necessarily follows that any real policy of Government is reflected pretty directly by appropriations.

Mr. TEMPLE. And by expenditures.

Mr. SHERLEY. And necessarily by expenditures.

The CHAIRMAN. I can not understand how a committee could, in a practical way, function with intelligence without taking into consideration the details of appropriations, because the totals depend upon the amounts that go into the various small, and sometimes large, items contained in the bill.

Mr. SHERLEY. That is what I wanted for a moment to discuss, because that criticism, which has some weight, has been made a number of times. My thought is this, that this committee ought to be either the same committee that appropriates subsequently in detail, or it ought to be a committee made up from the chief men of the appropriating committees, so that in either case they would bring to the table for the first consideration a knowledge borne of previous experience touching details; but I think I can say to the committee that it does not necessarily follow that you must consider all the details in order to arrive at broad totals. I was for a good many years chairman of the subcommittee on fortifications, and I know that the amount of money that can be expended for fortifications is very largely dependent upon the policy that the Government may



adopt touching fortifications; so that the chairman and members of that committee who were familiar with that subject could tell pretty accurately, or they could obtain from the War Department estimates of the general amount involved in the proposed program, without undertaking to go into a detailed examination as to the cost of particular emplacements, or particular guns, or of some of the other details that the Committee on Fortifications goes into.

For instance, take the Navy: The expenditures of the Navy Department are mainly made up of certain items which are routine and continuous, and there are certain other expenditures which grow out of the broad policy of the naval program. I take it that the committee on the budget that had in its personnel members from the Naval Affairs Committee could bring to the consideration of that problem sufficient knowledge of detail to enable them, in a general way, to determine whether they wanted to expend say \$250,000,000 or \$275,000,000 or \$300,000,000 upon the Navy in a given year. Now, there is this thought also involved in that: If you first consider your totals, and by a report to the House and the action of the House fix the total, you then invite the ingenuity of the administrative department into ways of economy, instead of, as now, inviting their ingenuity into the finding of reasons for expenditures. In other words, if the department wants to do a particular thing or a number of particular things, and they with other usual expenditures apparently total a sum in excess of that which Congress is willing to vote for that department, then, the department knowing it, when they come to explain subsequently the details of their estimates, will use their ingenuity in trying to eliminate the unnecessary, or to make economies so as to enable them to carry on the activities that they think of particular importance. You would thereby invite their efforts toward economy, instead of inviting them to use their ingenuity in presenting reasons for continuing appropriations.

Mr. TINKHAM. If we give to the Executive the power of initiative in relation to appropriations, we also give to the Executive the initiative in relation to revenue, and, if there is a deficit, with reference to the policy of revenue raising. Then, the Executive, under the budget system, would recommend in the same bill the appropriations and the means to meet the appropriations. When that bill, containing the appropriations and the proposals for raising the revenue, is presented, should the appropriations go to the one central committee you mentioned, and the revenue proposal to another committee, or should the appropriations and the revenues be considered in a unified way or an associate way in that central committee you propose?

Mr. SHERLEY. Certainly no budget committee ought to be created without having it consider though not necessarily legislate on both taxation and appropriation.

Mr. TAYLOR. As I recall your resolution, it provides that the Ways and Means Committee shall be represented.

Mr. SHERLEY. My bill provided that the Ways and Means Committee and the Committee on Appropriations shall have the largest representation of any committees. The gentleman from Massachusetts suggests a thought which I think is fundamentally sound. Manifestly, if you are going to give to a committee the consideration of both the question of taxation and of expenditure, you can not give it, or

ought not to give it to a budget committee unless its personnel has the advantage of having members of the finance committee, or what we call the Ways and Means Committee, and that is why an appropriation committee as such does not seem to me to measure up fully to the situation.

Mr. TEMPLE. I would like to ask a question about the matter I spoke of a moment ago, in reference to all policies finding expression either in appropriations or in taxation: If you give one committee control of appropriations and of taxation, would not that committee control all of the business of Congress?

Mr. SHERLEY. Yes; but my answer is subject to a number of qualifications.

Mr. TEMPLE. Of course.

Mr. SHERLEY. My objection to giving to one committee the duty of making both appropriations and of raising revenue is that I do not believe that it could do it, and I say that from very practical experience. If I may be pardoned for saying it, I think I was a reasonably diligent Member of Congress, and yet I know that I never had the time to even cover under the present system all of the work of the Appropriations Committee, let alone to undertake the work of the Ways and Means Committee and of other committees. The result of making one committee would be simply to disguise the fact that you had a great many separate committees under the name of subcommittees.

Mr. MADDEN. As a matter of fact, you would have them.

Mr. SHERLEY. That is what you would have to have by virtue of the necessity of time. You would have to parcel out the work among those subcommittees, but in doing so you could get a certain contact through the same clerical force; you would get a certain continuity of purpose that does not follow always when you have various separate committees.

Mr. MADDEN. You would be able to coordinate all of the work of the subcommittees through a sort of clearing house.

Mr. SHERLEY. That has been very difficult with the subcommittees of the Committee on Appropriations at times when the Members were pressed with work. Now, I do not profess to know what Congress will do, except as I judge it by the past, but there is a very natural feeling on the part of a good many Members against what they believe is the tremendous centralization of power, and, therefore, you might go up against opposition that could be avoided by a plan that would be practically as efficient. My own belief is—and it answers somewhat to what Mr. Temple said a moment ago about a committee of Congress if it were given all of those powers—my own belief is that the true answer to the criticism that you put into the hands of a few men the power to run Congress lies in the fact that what a committee does is subject to the approval of the Congress in Committee of the Whole, and afterwards on a record vote of the full membership in the House.

Mr. MADDEN. As a matter of fact, the action of committees is generally ratified.

Mr. SHERLEY. I have this feeling in regard to it: I have always believed that government in America must be party government. I do not share in the slightest degree with what has been given expression to frequently, under the leading term of reform and progres-

sive thought, of having individual freedom of the Members in the sense of absence of party obligation or responsibility.

Mr. MADDEN. That reform movement or progressivism, as it has worked out in general practice, means the opposite, does it not?

Mr. SHERLEY. It usually does. It is true that if there is one contribution that the Anglo-Saxon people have made to the science of government, it has been the government of a people through party responsibility; and the curious thing that happens frequently in connection with reform proposition in the House, which are sometime adopted, is that they are running exactly counter to progressive reforms everywhere else. For example, the whole principle of the short ballot is responsibility with power, and yet we have undertaken in the House to distribute power so that nobody was responsible, and you have had many hidden bosses without any public ones. In England nobody quarrels with the premier because of his power. They may quarrel with him because of the exercise of his power, and the remedy they apply is never to dispute his power but to put a new premier there who will be responsive to the political thought of the country. Therefore, in the House I would have this committee on budget to bring in on behalf of the party in power these proposals, and the minority party would attack them. You would then have a great debate, a debate that would necessarily develop real statesmanship on the part of the members, because it would be a debate that would require consideration of the entire range of governmental activities for the year, and because it would be a debate dealing with such matters you would focus public attention upon it.

The real remedy, in the last analysis, for extravagance is public opinion, and you can not get public opinion, educated public opinion, under the present methods, because if the charge is made that Congress is extravagant, it pleads in abatement that the administrative body is, and if a particular party in Congress is charged with extravagance, it pleads in abatement that the other party voted for the appropriations as much as it did. Therefore, there is a division without fully placing responsibility.

Mr. BYRNS. I have been very much impressed with the plan you have proposed, and with what you have said to-day and heretofore on the subject. There is one practical objection that I would like to have you discuss. It occurs to me that it would be necessary for this proposed committee to conduct hearings in order to secure information on which to make its original report to the House as to the amount of the appropriations, and then after that it would be necessary for the various appropriating committees to conduct hearings on the details of the proposed appropriations to find out how to distribute them. Now, at a short session of Congress, particularly, it seems to me that after this debate in the House, there might arise the question of whether or not there would be sufficient time to put the appropriation bills through.

Mr. SHERLEY. What you have suggested is, of course, a very practical difficulty. Without going afield, one of the remedies would be to do away with the short session, which has no excuse anyway. My thought is this, that you could not do the work within the time at your disposal unless you had evolved a system of submitting estimates by the administrative body in such form as to make necessary the doing of a great deal of the clerical work that you

now do down here, so that you gentlemen would be able to go directly to the essential things. Much of the time of the committees of Congress and of Congress is taken up because of the form of the estimates and appropriations. I believe that it would be possible to have presented by the Cabinet officials their estimates, and by one Cabinet official the theory of all the estimates, in such a way as to enable a budget committee to consider and pass upon them within a very brief time after the meeting of Congress.

Mr. TEMPLE. It seems to me that there are two ways of reaching the total, one by ascertaining the items and adding them up, which would require an enormous amount of investigation and a long time, and the other by ascertaining the revenues that will be available, and which will at once fix the upper limit beyond which the appropriations can not go, and you could get the extreme limit of the total in a short time that way.

Mr. SHERLEY. I have implied, I trust, a good deal of what you have suggested. In war times you can not consider costs, but must consider the need of doing the thing, and therefore you go ahead and do what you must; trust to your capacity to borrow and pay in the future. But as I have said, except in war times the very first consideration that a responsive government ought to give would be to the question of what is the total burden of taxation it has the right to place upon the people, and having determined that total, then comes the question of the division among the various Government activities.

Mr. TEMPLE. You could get at that total rather quickly.

Mr. SHERLEY. Necessarily, in determining that total you have in mind a good deal of what you will do with the money and where you will get the money from, but whether you have one committee on appropriations that functions without other committees or not, any plan that does not contemplate consideration by Congress of the totals prior to voting the details lacks the very essence and heart of true budget reform.

Mr. TINKHAM. Would you have a report on those totals from a central committee to the House, to be accompanied also by your revenue recommendations at the same time?

Mr. SHERLEY. My thought heretofore has been no. Theoretically what is apparently implied by your question is true, that there should, as a matter of logic, come with the proposal for expenditure a proposal as to taxation, but like so many other questions of government, and where so many critics of government fall down, legislative practice will not square with those principles, because of having to deal with men and time and the limitations upon men. I doubt if it would be practicable to do a thing of that kind.

Mr. TINKHAM. The objection would be that, since our tariff problem is a political issue, you would instantly precipitate a political debate where it should be purely a financial debate as to the requirements for appropriations. That would confuse the entire matter and would, perhaps, lead to a different result from what should obtain, that is, if you should have your revenue recommendations and proposals in the same bill with your appropriations.

Mr. SHERLEY. One of the difficulties in dealing with the matter from the standpoint of that suggestion of carrying the taxation along with the appropriations lies in the fact that America is still a new country with many new governmental activities constantly coming



forward, and with many sources of revenue. I think that we would undoubtedly complicate things if we undertook to put upon a budget committee the duty of proposing detail methods of taxation.

Mr. MADDEN. Of course that ought not to be done, but it might be wise to have the President state in submitting the estimates the amount of revenue that could be expected to meet the obligations of the appropriations.

The CHAIRMAN: Mr. Sherley, you are, of course, aware of the fact that there are a great many people who believe that when estimates come they should be finally considered on the floor of the House in one bill, and that the budget should retain its uniformity after it is taken up in the House. There was a suggestion made the other day, and, while I have not had time to think about it very much, it was new and it may have some elements of strength in it, and that is that a central committee on appropriations, a little larger, we will say, than the present membership of the Appropriations Committee, should be created, having on it, we will say, the chairman and ranking majority member and the ranking minority member of committees like the Committee on Military Affairs, the Committee on Naval Affairs, etc.

Then, naturally, those men having particular knowledge of a certain department of the Government would be on the subcommittee that would consider the appropriations for that department. The suggestion was that those subcommittees at work on the estimates could report to the full committee approximately at the same time their conclusions, and then the full committee, or the general appropriations committee, composed in that way of Members of the House who were on the Military Affairs Committee, Naval Affairs Committee, Post Office Committee, and the other large committees, could then report the bill without taking from the Members the right they now enjoy of offering amendments, etc., and at the same time retaining in one document the budget as submitted.

Mr. SHERLEY. The right of a Member to propose amendments increasing appropriations I do not think is necessarily involved whether you follow one plan or the other. That is a matter about which considerable can be said both ways, and I will be glad to speak of that in a moment. The personnel of such a committee is much like my own, but the plan of reporting but one bill dealing with all appropriations I do not approve, because I believe it will either prevent consideration of any details at any time, or, what is more likely, prevent consideration of the budget as a whole, because of the details. What I am fearful of, that if you get a bill that deals with all of the details prior to the consideration of the totals, you will get a debate that will break into a lot of short debates on items, rather than that broad debate I am speaking of. There is nothing to-day, except as it is forced by the initiative of individual Members in the House, that compares with the budget speeches that are made in various parliamentary bodies.

The chairman of the budget committee ought to make a speech that will fix his party's responsibility in connection with expenditures, and the leader of the minority in his reply would make the issue between the parties.

In that connection, I want to speak of a matter that you gentlemen have thought a great deal about, and that is the suggestion that the policy of the administration should be presented to the House by



Cabinet members having the privilege of the floor. This is a matter that has been discussed for a great many years in and out of Congress. It is not the new discovery that some of our writers would have us believe.

I have never seriously opposed it. As I said a good many years ago in the House, I thought it would have one advantage, it would explode a great many false reputations. But altogether aside from that, and speaking seriously, I think it is entirely untrue that the administration, any administration, does not have an opportunity to present its side of the case.

I doubt if there is any government in the world that has as much accurate inquiry into details of expenditure as our Government does through the committee hearings, and the difficulties that committees have had in the past was not in finding opportunities to give the Cabinet officer a chance to present his views, but was in finding them sufficiently familiar with the details of their estimates to inform the committee; and I say that without regard, of course, to party, as everything I am saying here is without regard to party and without regard to any particular time.

Mr. MADDEN. As a matter of fact, most of the Cabinet officers refuse to come before the committees, because they are not familiar with the work of their departments.

M. SHERLEY. I do not believe the attendance of the Cabinet officers on the floor could possibly take the place of the testimony before the committees. Whether it might supplement it and be of value in that regard, I do not know. I see no particular objection to it, but I do not believe it is a panacea, by any means.

Touching a Member's right to increase an appropriation recommended by the committee, I am opposed to it for this reason: I believe it serves to bring about, frequently, action by the House without that maturity of thought which ought to take place, and also because it weakens the power and dignity of a Member of the House.

It perhaps sounds rather paradoxical that taking away from him a privilege should enhance his power and dignity, but every Member of Congress is required through the pressure of his constituency at times to undertake action in the way of the voting of moneys that perhaps his pure, disinterested judgment might not entirely recommend. Then frequently Members occupy relationships toward departments and their estimates by virtue of amendments offered on the floor which take from those Members and from the Congress as a whole that independence which a separation between the administrative and the legislative branch contemplated, and I believe that if Congress would once put itself as a body in the position of simply voting or refusing to vote the moneys asked by an administration, it would tremendously enhance its power and its prestige, and that is particularly true of the House of Representatives, because the House of Representatives has always against it, working silently day in and day out, the encroachments of administrations and the added power that comes to the Senate as a body of longer tenure and small numbers with confirmation power over executive appointments.

The result is that if the House of Representatives would make of itself truly the holder of purse strings and not weaken itself through the voting of matters not asked by the departments, so as to enable those departments to see that their expenditures have been forced

on them by Congress, it would increase its power and it would be found that the Members had not really lost any very great privilege.

Gentlemen, I do not want to trespass too much on the time of the committee. There are a number of concrete things that I would like to speak of, and I am afraid that in the general discussions I may overlook them.

I think everybody has come to the belief that there ought to be an independent audit.

The CHAIRMAN. Mr. Sherley, before you leave the matter of procedure in the House. As an illustration, take the fortifications bill. Last year my recollection is that before the armistice was signed, the estimates in round numbers amounted to about five billion dollars, and after the armistice was signed they were revised twice and finally reduced to \$93,000,000. The committee reported out a bill of something over \$11,000,000. For instance, if we had had a budget committee, one question which involved an expenditure of about \$25,000,000 was not presented in all of its phases until after several days of hearings, and that was the question of mounting all of the guns of large caliber on railway carriages. After those hearings were concluded it was found that there was a difference of opinion among the officers of the War Department and that the question of mounting a gun of more than 6-inch caliber had not been taken up and determined by the board of review. That was brought out at the hearing. Suppose the budget committee had fixed \$12,000,000 as the maximum for that bill and had gone on the floor of the House, with the right of amendment, which I agree with you ought to be preserved to the Members of the House, and some Member had arisen and offered an amendment which would take up all the balance of the amount fixed by the budget committee, and that amendment should prevail, we would then have a bill that was only half considered, and all the other items in the fortification bill would be out of order.

Mr. SHERLEY. My answer to your suggestion, first, is that the fault lay with the administrative department in not knowing about its estimates.

The CHAIRMAN. I agree with you.

Mr. SHERLEY. And it is rather hard to predicate a system upon a fault. The system ought to provide a remedy for the fault in the first instance. My idea would be that the budget committee should have the power to bring in, if need be, supplemental reports changing its estimate. It ought to do it very reluctantly, and the power ought to be seldom used. I am inclined to think that I would give the right of amendment increasing appropriations or making new ones on the regular appropriation bills not to an individual member, but only upon action by a committee. If a matter was of importance a committee could consider it and then make a report authorizing the chairman to offer it as an amendment and that amendment might be then in order.

I believe that much of this work that you gentlemen are undertaking is going to evolute, and that a great many things that you will propose will be found not to work, and a lot of things that no one thought of will come out of the actual experience of the Congress, and I hope you appreciate that in speaking rather pronouncedly I do not mean to be as dogmatic as my language might suggest.

I am giving my impressions, and I think only the actual trial of experience is going to determine the wisdom of a lot of them.

The CHAIRMAN. Mr. Sherley, while we are on the legislative phase of the matter and before you pass to the audit, there is another question that I would like to ask. A great deal of criticism has been directed toward Congress because there has been certain legislation on the appropriation bills. Quite a little of the legislation on the statute books came through so-called riders on appropriation bills. I realize that a great deal of valuable legislation was carried on appropriation bills reported out by Mr. Fitzgerald and yourself, and I am sure the committee would like to have your opinion upon that subject.

Mr. SHERLEY. The old thought in justification of riders on appropriation bills has been that it gave to the legislative body the power to force its will against an antagonistic executive, and, of course, we are always referred back to the historic example of the Commons obtaining for the people of England many of their liberties through placing limitations upon the purse of the King.

I have never felt that that illustration was particularly sound, because of the fact that in America we have a very direct remedy against an Executive. Every four years the people get a chance to say to the Executive, "We do not like what you have done, and we will no longer permit you to enjoy power." So that the situation is very different from that which confronted the English some hundred years past when they fought against a king who could, by no other way short of revolution, be controlled.

I think you are apt to get more bad legislation by riders on appropriation bills than you are to get good. I should certainly not want to see on appropriation bills any legislation other than that which went simply to what might be called regulation as to method of expenditure.

Mr. TINKHAM. Remedial legislation?

Mr. SHERLEY. I would not make it as broad as that, but remedial legislation in connection with abuses of executive officers in connection with administration of funds.

Mr. MADDEN. It would be administrative legislation.

Mr. SHERLEY. It should be confined within very narrow lines. The reason we have gone to appropriation bills as mediums for legislation has been because the Congress, particularly the House, has had all of its time taken up in the consideration of appropriation bills, and, naturally, there being a need to do something, practical men took the easiest medium for doing it; but if your reform is to be a true reform, the time given to supply bills should be infinitely less than what it is now, and if it is infinitely less, there ought then to be opportunity for legislative committees to obtain the floor and submit proposals dealing with legislation other than appropriation and expenditure.

Mr. MADDEN. How would you obviate the present practice of the Senate of putting legislation on the appropriation bills?

Mr. SHERLEY. Well, there is no way your body can fully do that except, again, through its taking a position and maintaining it, and bringing behind it the power of public opinion. The Senate is now an elective body. It will feel very much more directly than in the past the pressure of public opinion, and what will, I believe, eventuate,

not in the lifetime of any of us, but eventually, will be that the House of Representatives will be practically sovereign in dealing with expenditures.

Mr. TEMPLE. In order that the record may show the present condition, is it not true now that legislation on appropriation bills is subject to a point of order and that any one Member can stop it?

Mr. SHERLEY. Unless the Committee on Rules brings in a special rule.

Mr. TEMPLE. Yes.

Mr. SHERLEY. I think the Committee on Rules ought to be forbidden the power to bring in a special rule to make in order——

Mr. MADDEN (interposing). After all, it can not be made a rule until the House itself approves it, can it?

Mr. SHERLEY. That is true, but the House must not always be expected to have the virute to protect itself against practices that theoretically it is supposed——

Mr. TEMPLE (interposing). What would be a practical way of reforming the House? Is there any other way than by creation of the proper sentiment in the House?

Mr. SHERLEY. We have reformed the House in many particulars——

Mr. TEMPLE (continuing). The House makes its own rules and can modify them after it has made them.

Mr. SHERLEY. If I may divert for a moment, I have sometimes said that the law of the life of a legislative body was always in direct antagonism to the law of the life of its individual members. In other words, the very law of the life of a legislative body is to legislate, to enact. The law of the life of an individual member under present public opinion is frequently to have an individual part and voice in legislation irrespective of whether it helps to promote legislation or not. The result is that the body as a body is always in conflict with its members. The previous question is simply an expression on the part of the body as a legislative body that its will must override the desire of individual members, and in the interest of the rights of all it must curtail the right of each. Unless you adopt rules in the House preventing individual Members and groups of Members doing things, that very desire of the Member which runs counter to the law of the body as a whole will force the body as a whole into doing things that are contrary to proper government, and therefore I think that the Rules Committee ought to be prohibited from making easy a disregard of the rule that no legislation shall be had upon appropriation bills.

The CHAIRMAN. Of course there are two kinds of rights. Suppose the Appropriations Committee discovers an abuse in the expenditure of money; the legislative committee having jurisdiction reports out a bill to correct that abuse, and the bill passes the House and goes to the Senate, session after session, and the abuse continues, and the Senate refuses to act, when the matter refers particularly to an appropriation that is considered in all of its details by the House and its committee, and the House sees no way of forcing the Senate to act except to put some legislation upon the appropriation bill affecting that particular item. If you do not give the committee and the House the right to act on that, how are you going to get any action at all on the part of the Senate, paying little attention to extravagances and but little attention to correcting abuses?

Mr. SHERLEY. Mr. Chairman, you are asking me to indict by the implication carried in your question. I think that the remedy for a great many abuses, again, lies in public opinion and the focusing of it. The way to get at administrative abuses is not through the committees on appropriations. They have performed that function, because nobody else did it, not because it was their particular work. The Committee on Appropriations has for many years past been a committee upon investigation of expenditures. Why? Because the actual committees on investigation of expenditure in the departments never performed their duty, and that leads me to another thought which I think all of you gentlemen are agreed upon.

There ought to be one committee created on expenditure in the departments, and it ought to have dignity second only, if it is second to any, to the Committee on Appropriations and the Committee on Ways and Means, and it ought to be composed of men of the very best caliber. This committee ought to have the right to call on, and it should be made the duty of, the auditor general, or whatever title you may give to him, to come before it with suggestions as to abuses and reforms and if need be he and his corps should sit with the committee in connection with the consideration of past expenditures and reforms.

If you had a committee of that kind and compelled it by rule to make a report to the Congress within a certain time, its report with its recommendation would afford the medium for remedying administrative abuses, and you would thereby relieve the appropriating committees from the burdens that have been imposed upon them through the failure of other committees to perform their functions.

Mr. TINKHAM. Mr. Sherley, to return to the matter of riders just one moment, what would you think of the soundness of a rule in the House requiring two-thirds vote upon a rider upon a general appropriation bill.

Mr. SHERLEY. Of course that is simply a compromise but one which has a good deal of value to it. It suggests that a time might arrive when a rider was so important as to warrant a disregard of the rule.

Mr. TINKHAM. Exactly.

Mr. SHERLEY. I am not prepared to say that that might not be a good thing, although this is to borne in mind: One of the things that Congress has been most criticized about has been the voting of public building bills. It has been seldom that a man with any ingenuity in charge of that bill could not so arrange it that he had two-thirds of the House; at least there have been a number of instances in which it was impossible to get a sufficient minority to even make a roll call. Now, that may simply prove that the bill was a bill of peculiar merit, but it may also prove——

Mr. MADDEN (interposing). Of peculiar merit; yes.

Mr. SHERLEY. Or it may also prove to have the support of that number of men through skillful handling of it.

The CHAIRMAN. That bill is an authorization rather than an appropriation bill.

Mr. SHERLEY. Yes.

The CHAIRMAN. And by many writers it has been treated as an appropriation bill rather than as an authorization.

Mr. SHERLEY. Well, it is an authorization bill but it is an authorization bill that frequently compels action by the appropriations committee.



Mr. MADDEN. Does it not always compel action?

Mr. SHERLEY. Yes; although there are times when a few items may be eliminated by virtue of the second thought of the Congress touching the matter.

Mr. MADDEN. The Secretary of the Treasury might say something was not necessary but he would have a hard job proving it.

Mr. SHERLEY. Now, Mr. Chairman, in a rather cursory way I have touched on the matter of an auditor general. I think that is a reform of very great importance. I do not believe that it is proper that the critic, nay, the judge, of correctness of expenditures should be subject to the person whose action he criticises. It necessarily follows that his complete independence may exist only theoretically, and therefore an auditor general ought not to be under the administrative officers of the Government. He ought to be truly independent, and if he is answerable to anybody at all, it should be to the Congress of the United States, and if he is raised in true dignity, he will perform his duties fearlessly and bring to you the results of his labors in connection with extravagant expenditures and looseness of methods of administration and the work that takes up the time of the Committee on Appropriations and other committees will be greatly curtailed.

This was the one great reform that Gladstone brought about in the parliamentary procedure of England, the creation of an independent audit, and the most feared man there is the man who has the power to pass upon the legality and rightfulness and wisdom of expenditure on the part of the Government.

Mr. MADDEN. How would you provide for his appointment and removal?

Mr. SHERLEY. I would have him hold office practically during good behaviour. I think the chairman of this committee, by the provision in his bill, that he should hold office unless removed by a vote of the Congress for cause, has in mind practically a tenure during good behaviour.

Mr. TINKHAM. Who should elect or appoint him?

Mr. SHERLEY. I think he ought to be appointive, and appointed by the President. The Constitution vests appointments in the President, and as an officer of the Government he would have to be appointed by the President unless you made him an officer of the House. Then, of course, the House could appoint him, but as a United States officer, I take it, under the Constitution, the President would have to appoint him.

Mr. MADDEN. I think the proper method of procedure anyway would be to have the President appoint him and the Senate confirm him.

Mr. SHERLEY. There are a good many of the suggestions which I have made that I was glad to see embodied in the bill of the chairman of the committee and in bills of other members.

If I may summarize, I think we ought to give to the President the means by which he can present in budget form the estimates. I doubt if we can compel him by law but if we give him the means,

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until after action by the executive branch, but that action if it is to be truly effective and informing must be along the lines I have indicated. The President and his cabinet must consider the estimate as a whole and in their relationship as a whole to taxation. Anything short of this is a failure to perform their full duty.

Then when those estimates come to Congress they must be considered by Congress with regard to their totals first, and I can not overemphasize that. I believe we will fall far short of any true reform if we simply place upon the Executive the responsibility of performing his part of the labor, the administrative side of a budget, and then Congress fail to perform its part, and I repeat its part means that it must consider that budget as a whole. Whether that shall be done in one committee which will also have the sole power of appropriating, or whether it shall be done through a committee composed of appropriating committees, is a question of detail. The important thing is that it shall do it and that it shall report to the Congress at the beginning of the session the totals that ought to be voted.

Then if you have created an independent audit and provide through a committee on expenditures for a proper checking up of the activities of the administrative end of the Government, I believe that you have gone as far as you can now wisely go.

Mr. TINKHAM. Should this independent auditor have the right to prevent an expenditure, if illegal, or should he merely be an auditor of the arithmetical facts?

Mr. SHERLEY. Unquestionably he ought to have the power to prevent the expenditure if illegal. Some people have urged that he ought also have the power to prevent the expenditure if he thought it unwise.

Mr. MADDEN. That would not do.

Mr. SHERLEY. I do not believe you could afford to do that, but he ought to have the power to pass upon the legality of it. He does now, but he does it frequently after the act instead of before the act. I think it should be made his duty to do that and to report to and aid the committee on expenditures as I have suggested. The value of that is going to be that you will then be able to vote your money, when you do come to details, in a very different form from what you do now.

For illustration, take the Bureau of Fisheries: How absurd it is to appropriate for the Bureau of Fisheries in little sums for every fish hatchery in the country, and then to appropriate for the Bureau of Customs in six or eight lines. Now, do you get any better administration out of the Bureau of Fisheries than you do out of the Bureau of Customs? Quite the contrary. All of your detail does nothing except to force Congress into a consideration of little things that are beneath its dignity. The great House of Representatives ought not to enter into a debate as to how much an ordinary employee of the Government should be paid for a given piece of work, except, of course, when abuses are discovered. I mean this, that you ought not to invite a discussion each time there is an appropriation of \$600, \$900, \$1,200, or \$1,500 to be voted for this fish hatchery or that fish hatchery. If your auditor general performs his functions, he will be able to tell you whether the Bureau of Fisheries is efficiently administering the moneys voted it; and the remedy, if they are not, is not to curtail the service by r but it is to chop off the head of

the inefficient officer and put somebody at the head of the service who is efficient. That will give you the freedom that the House wants for the discussion of problems of government.

Mr. MADDEN. We would not have the power to chop his head off, unless we abolished the job, would we?

Mr. SHERLEY. Perhaps not. There, of course, comes one of the handicaps through the division of power between the administrative and legislative branches. In England, Parliament can get rid of officers by their vote, but here we can not. However, the abuse is remedied very largely when it is shown, because administrative officers do not desire to have inefficient subordinates. If there is an exposure of conditions, I take it that the administration would undertake to remedy it, and, failing to remedy it, of course, Congress might then put some restriction upon them that would compel it. One of the main reasons for the friction between Congress and the administrative officers is not just the contrariness of men, but it grows out of the fact that a man does not trust the agent that he can not control. Congress being unable to control the agents of the administration, frequently does not trust them, and therefore is constantly trying to bring about reforms through prohibitions upon their activities, but, as I said earlier, the result of that prohibition is to compel the good officials frequently to refrain from asking things that they ought to be free to do, and simply to enable the bad officials to find some means of evading the restriction. You have to make that restriction in general terms, and, in doing it, you tie the good as well as the bad. The true remedy would be to be able, through proper investigation, to put your finger upon the official responsible for bad administration, and thereby to eliminate him.

Mr. Chairman, I do not know that there is anything more I desire to say.

The CHAIRMAN. Mr. Sherley, as I recall, you served in the House for 16 years?

Mr. SHERLEY. Yes.

The CHAIRMAN. How long did you serve on the Committee on Appropriations?

Mr. SHERLEY. I think I was a member of the Committee on Appropriations for 12 of the 16 years. I came on that committee in my third term.

The CHAIRMAN. And during that time you served on the subcommittee on deficiencies, or for a part of the time?

Mr. SHERLEY. As chairman, I was chairman of the subcommittee on deficiencies.

The CHAIRMAN. I call your attention to an article appearing in the Saturday Evening Post of September 27, 1919, by Mr. Herbert Quick. Mr. Quick was formerly a member of the Farm Loan Board. This article is entitled "To our imperial voteresses," and there are some very remarkable statements contained in it. These statements are so much at variance with the statements made by practically every man who has appeared before the committee that I would like to have an expression of your judgment as to the foundation for some of them. For example, he says:

National housekeeping. That is what we need, and if you, the imperial voteresses to whom this is addressed, do not help to give it to us, it looks as if we might go on indefinitely wasting money through pure ignorance, thriftlessness, and dishonesty;

while Congress sits besottedly by its dirty political hearth sucking at its smelly pipe of patronage and swigging at its mug of paltry popularity—wasting money to an extent that would bankrupt any other nation, and will bankrupt us if we do not stop it.

What was your experience with the result of the efforts of Congress in reducing or decreasing appropriations during the time that you served as a member of the committee, and also during the period of your service in Congress?

Mr. SHERLEY. Mr. Chairman, I have not read the article that you have just quoted from, therefore I shall not undertake to do other than to answer your inquiries. I am very glad to say that I have a very high opinion of Congress. I may be biased because of my long service in the House and because of the friendships I formed with its membership, but I am quite sure that this would be the statement of practically every man who has served for any length of time in Congress, that its faults are very apparent and its virtues frequently hidden to the casual observer, but as a man serves more, the more does his respect for the body and for its membership grow. It is distinctly true that it has always been the economical branch of the Government of the United States. I have not personally made any investigation since I left Congress, but I am sure that there is not, perhaps, a single instance of any administration, Republican or Democratic, ever having submitted to Congress estimates in an amount less than the amounts voted by Congress, or, to put it in another form, I am quite sure that Congress has always voted a sum less in the net than that asked for by the departments. That certainly was my experience and observation for 16 years. I do not mean by that to say that there have not been cases in which Congress might have voted a particular department more money than was asked, but, speaking by and large, the action of Congress has always been to reduce the estimates and to save to the people of America considerable sums of money.

The CHAIRMAN. While a member of the Committee on Appropriations, did you observe that Congress was sitting here “besottedly by its dirty political hearth sucking at its smelly pipe of patronage and swigging at its mug of paltry popularity”? Did you ever see anything in the Committee on Appropriations that would warrant a statement of that kind?

Mr. SHERLEY. Mr. Chairman, the very reading of that language carries with it the answer to your question. I earned unpopularity at the hands of a good many people in Congress by my efforts to curtail expenditures. I did no more than, and, perhaps, much less than, my predecessors in the chairmanship of the great Committee on Appropriations, and I am sure that the present chairman, with the membership of the committee, is doing what has been universally the practice of that committee—that is, that you are expending your time and energies in an effort to prevent extravagance. Now, I think it is proper that I should say—and, in point of fact, the very reason of this hearing is that I might say it—that I do not think the methods pursued are the best that could be pursued. I think we need the reform that I have suggested here, but to impugn the motives of Congress as a whole, or of the committees appropriating money in particular, is simply to show lack of knowledge of the actual facts.

The CHAIRMAN. Here is another statement about which you must have very full information, because of your experience:

I tell you that Congress never knows and never tries to find out how much money it is going to spend or how much it ought to spend, or how much to retrench, or where to cut down, or where to be liberal, or where to eliminate entirely, or when there are two or more services doing the same thing, or how much is wasted, or how much it will have to appropriate as a whole to carry the Government on as a whole.

Was it your experience and observation that Congress and its committees did not go into those matters that are referred to here and study them, and that they did not make their reports to Congress informing Congress in regard to them?

Mr. SHERLEY. Mr. Chairman, I do not believe there is any legislative body in the world that has expended more effort in undertaking to arrive at the details touching requests for expenditures than has the Congress of the United States. As I said a while ago, I think a good part of that work has been done under disadvantageous circumstances, because of the present methods; but that Congress has endeavored always to perform its high functions as the guardian of the money of the people is plain to all who know its actual history.

The CHAIRMAN. Then, it did try to find the purposes for which money was being expended and the purposes for which it was voted?

Mr. SHERLEY. It not only tried to find out, but, in many instances it succeeded, and the statute books bear many evidences of that by enactments looking to reforms, many of which proved efficacious.

The CHAIRMAN. Here is another statement, Mr. Sherley, that is dignified by being placed in a paragraph by itself:

Congress never knows the total revenues available. It never tries to find out.

Was that your experience as a Member of Congress?

Mr. SHERLEY. No, sir. I think that Congress has always tried to find out the revenues that were available. I think this is true, Mr. Chairman, that in the old days this country was so very rich, compared with its then expenditures, that taxation was frequently levied because of its effect upon the welfare of the people rather than from the primary consideration of the revenue to be raised. In other words, as you know, the two great parties were at issue and still are, touching tariff legislation, and in the past much legislation which produced revenue was voted with the idea of protecting industries in America by one party, with the other party voting other kinds of taxes with the idea and belief that thereby the cost of purchase and manufacture through competition would be lessened.

Now, those political schools of thought had a free rein because of the fact that the moneys that could be raised in America then were very great as compared with what were needed for expenses, but in the sense that Congress never desired to know what revenues were needed and never desired to lighten the burden upon the people, that statement is inaccurate.

The CHAIRMAN. The Secretary of the Treasury is compelled every year to make a report as to the revenues, and that report is printed and made available for every member of Congress, and they study it in connection with appropriations.

Mr. SHERLEY. Of course that is true, Mr. Chairman, and it is also true that the record is full of reports of committees of Congress dealing with those matters.



The CHAIRMAN. Here is another statement which is modified by the article in a great many ways:

But that isn't the worst of it. These nine appropriation committees are not the committees that know about the work to be done at all. That would be too sensible and direct for Congress.

Was it your experience that the committees having jurisdiction over appropriations did become expert with regard to the various bills that came before them, and that they studied them and gave conscientious consideration to every detail contained in the appropriation bills?

Mr. SHERLEY. I can only repeat what I said a few moments ago, that I do not believe that there is any legislative body anywhere that has given more painstaking thought to the ascertainment of facts in connection with estimates for appropriations than the Congress of the United States, and I believe that every administrative officer of any experience in the Government service would testify to the fact that he has nearly always found that the committees of Congress either knew or had investigated to ascertain the facts touching the matters that he came to testify about, and that no more fatal attitude of mind could be had than the assumption that he could go down to Congress and fool them into doing something that they did not know about or appreciate.

The CHAIRMAN. That was the attitude taken by the committees and by gentlemen who appeared before the committees, but this article is so at variance with the facts, that it seemed to me that the committee would like to have a statement from a man who has had intimate knowledge of what Congress and its committees have done.

Mr. SHERLEY. Of course, I may be laying myself subject to the criticism that I am simply complimenting my old associates, my friends, and my past self, but I do believe that I can speak with disinterestedness. I am not a Member of Congress and shall never again be a Member of Congress, and I repeat that the faults of Congress are very easily seen, but its virtues become more and more apparent upon intimate acquaintanceship with it. It is the misfortune of Congress that it is usually advertised through the extreme utterance of some particular member. While Congress knows better than any other body how to judge the worth of its own membership, the public is sometimes misled into the belief that some chance remark of a Member reflects the judgment of the body. What is said by some Member of Congress is sometimes quite foolish, but what is done by Congress I think usually bears evidence of considerable wisdom.

The CHAIRMAN. Mr. Sherley, we thank you for the statement you have made, and I am sure that it will be helpful to the committee in formulating some legislation on the subject.

Mr. SHERLEY. I am very much obliged to the committee.

WEDNESDAY, OCTOBER 1, 1919.

**STATEMENT OF MR. CHARLES WHITING BAKER, CHAIRMAN  
OF THE COMMITTEE ON PUBLIC AFFAIRS OF THE ENGI-  
NEERING COUNCIL, NEW YORK CITY.**

The CHAIRMAN. Mr. Baker, you are a member of the Engineering Council of America?

Mr. BAKER. Yes, sir.

The CHAIRMAN. Just what is the engineering council?

Mr. BAKER. The engineering council is an organization made up of delegates appointed by the four great national societies of civil, mechanical, mining, and electrical engineers, with a total membership of over 40,000. It was deemed desirable some years ago that there should be a way in which the voice of the engineers should be able to make itself heard in matters of public concern in which engineers were especially interested as a matter of contribution of the engineering profession to public welfare. This was the thought that lead to the organization of this council. It has been functioning now for some four years and has done various work in connection with contributing to Government work during the war, and so on.

The CHAIRMAN. Is it an incorporation?

Mr. BAKER. No; it is not incorporated at all. It is simply a representative body made up of representatives of these four societies with other societies which are coming in; for instance, the American Testing Materials Society is now a part of it.

The CHAIRMAN. How is it financed?

Mr. BAKER. It is financed by contributions from these different societies which pay the running expenses of the organization.

The CHAIRMAN. Has this society or its members made a study of budgetary legislation?

Mr. BAKER. Perhaps I can answer that, Mr. Chairman, by saying that it is our endeavor whenever any matter comes up in which we can be of service to the Government, in which our advice is requested, for instance, to find among the members of the society, not necessarily among the members of the council, those members who by their experience and professional ability are best qualified to give expert advice. That is the plan we follow in trying to give aid in matters of public interest. I am chairman of the committee on public affairs and that is the way our committee endeavors to function.

The CHAIRMAN. As chairman of that committee, have you given any study as to national budget making?

Mr. BAKER. To some extent; yes, sir.

Mr. GARNER. Where are the headquarters of this association?

Mr. BAKER. In New York City, in the Engineering Society Building.

The CHAIRMAN. The committee will be glad to hear any statement you desire to make on this subject, Mr. Baker.

Mr. BAKER. Let me say that carrying out the thought I just expressed, we have invited to appear before you to-day Mr. Nelson P. Lewis, who is the chief engineer of the board of estimate and apportionment of New York City, the body which has charge of the financial affairs of New York City and the budget. Mr. Lewis has had

experience as probably almost no other engineer in the United States has had in dealing with the budget affairs of a governmental body which in the magnitude of its financial operations comes nearest to the United States Government than anything we have. He is an engineer, let me add, who has the highest esteem of all his professional associates for his ability, and is vice president of our American Society of Civil Engineers. Perhaps if I can tell you who these various gentlemen are whom you will want to call upon, you will know that they speak with authority.

The CHAIRMAN. I think, Mr. Baker, we will want that information from each man who comes before us so we will have it at a pertinent place in the hearings.

Mr. BAKER. Shall I go on and state that regarding the other members?

The CHAIRMAN. No; we will ask those who are going to appear before us to state that.

Mr. BAKER. They may be rather modest.

The CHAIRMAN. I appreciate that, but we will bring it out and ask them to lay aside their modesty.

Mr. BAKER. May I say very briefly that we have asked to come here Mr. Arthur P. Davis, who also is one of our very prominent members. He is the Director of the Reclamation Service and needs no introduction to you gentlemen. He has the very highest esteem of his professional associates as a civil engineer and as an administrative officer.

Mr. Worcester R. Warner, of the firm of Warner & Swasey, former president of our American Society of Engineers, who had had large experience in business matters, is also here. If you would like me to make such statement as I choose now——

The CHAIRMAN (interposing). Yes.

Mr. BAKER. Let me say, Mr. Chairman, that I have been the editor of the Engineering News, the principal technical journal of the United States for some 30 years, and it has been my duty in that capacity to give more or less attention to public affairs of various sorts.

My feeling is that whether we like it or not, the Government of the United States is a great business corporation. We have to engage very largely in business, and it becomes more and more important that that business shall be carried on economically and efficiently.

There is just one aspect of the budgetary system that I want to give brief attention to, and that is the danger which is even now present in the existing method of making appropriations, of making the budget cast iron, whether you make it by appropriations or whether you do it in the reform which is now proposed here. One trouble in our governmental system that makes it uneconomical is the tendency to limit to cast-iron rigidity the appropriations for various purposes.

No business corporation could do business economically under such an administration. If the board of directors of a private corporation undertook to lay down in advance absolutely how much each department should spend, and how much they should pay for each class of service during the year, that department would find itself very much handicapped. They put the responsibility on the executive under a properly organized board of directors, and I think properly give them a limit as to the ultimate sum they shall spend. They deal with the purpose for which that shall be used but they do not limit it to technical details.

As I read your appropriation acts in Congress, I find that there is great particularity of the amount which shall be spent for this, that, and the other service. Theoretically, Congress is supposed to pass on those things, but we all know as practical men that it is an impossibility for your Appropriations Committee to deal with those minute affairs.

The thing I would appeal for is that in any work you undertake of that sort, do not make it too rigid; try to come to the point where Congress as a deliberative body will deal with the large questions of public policy and leave the details of expenditure as far as possible to the executive officers on whose efficiency and ability you must in the long run rely for the results that you attempt to obtain.

The CHAIRMAN. Mr. Baker, we have done that at times, and we have found this trouble with lump-sum appropriations as far as public works are concerned: The executive officer seems to be fearful that the contractor will not make enough money and is more apprehensive of that fact than he is in looking after the Treasury, and, as a result of that fact, he wants to make cost-plus contracts or cost-plus fee contracts. That grew up during the war, and there is a strong tendency for it now. Just before I came in there was a man here to see me complaining about the provision in the last sundry civil act that provided that no part of the moneys appropriated for ship construction should be used as it had been formerly, and as all the ship contractors wanted to use it, in letting contracts on a cost-plus fee basis. It was because of such abuses and because of a lack of desire on the part of many of the officials of the Government—I do not say all by any means—to guard the appropriations as a business man would his own budget, but to deal perhaps very liberally with the people's money, which led to the very thing you would complain of. That is a difficulty that Congress is confronted with every day.

Mr. BAKER. I appreciate that fact, Mr. Chairman, but I venture to express the doubt that it is possible by any act of Congress to make men honest or efficient even if you limit the appropriations in that way. The result, as I see it, is that the man who is making up the appropriation estimates, and who is not efficient, wants to make them as large as possible. He says, "They will cut it down, anyway, and I will increase my estimates to allow for that." He does not know how many men he wants to employ on a certain work, so he puts in enough, and you make an appropriation that will allow him to employ that many and then he keeps them; whereas, if you can put your different departments on a basis where they will have to stand on their showing the results would be different. I would plead for making the different departments of the Government autonomous as nearly as possible, so that, like a business corporation, you will have them showing their expenditures and their receipts, and you will judge their efficiency by that standard.

The CHAIRMAN. Mr. Baker, we are troubled right now to know what to do about a lump sum we granted the War Department of \$4,000,000 for additional employees here in Washington. This committee knows, and every Member of Congress who has investigated the matter at all knows, that down here in the munitions building to-day are a great many men and women who are not doing much of anything at all. The women are crocheting. There is no attempt made to separate those men and women from the service. We are not

in such cases with the difficulty of getting the officials to discharge employees who are paid out of lump-sum appropriations. There is no effort at all to do it, and the whole burden then comes upon Congress. If you will tell us how we can solve a problem like that, your suggestion will be very thankfully received.

Mr. BAKER. It seems to me you have got to distinguish between the peace activities and the war activities.

The CHAIRMAN. Well, these are peace activities now. The Army has been demobilized, and yet we have to-day as many employees in Washington, or practically as many, as we had before the armistice was signed. I think perhaps there are 2,000 less out of over 100,000 employees here.

Mr. BAKER. That is indefensible, of course.

Mr. GARNER. That is just the trouble about your theory. Your theory is that they will be just as efficient in the Government as they are in private industry, but that is not true, and the experience of every Member of Congress has been that you can not depend upon the efficiency of the various chiefs of bureaus so far as spending lump-sum appropriations is concerned. They think it is their business to spend all the money they receive—it makes no difference how they may spend it. Having gotten the appropriation from Congress, they think it is their place to spend it, if they must put on 100 people for a certain work when they could do the work with 50.

The CHAIRMAN. It would be a great relief to the committees and to Congress if we could do what you say, and we have tried it. We are trying it now and we see tremendous waste, extravagance, and inefficiency which results from that plan in Government employment. We can not compare it at all with private business because the officials of the Government seem to think that the Treasury is an inexhaustible storehouse to which they can go and finance anything, no matter what it may be, and continue the employment of men and women who are not performing any Government service at all except to draw their pay.

Mr. GARNER. And that does not apply only to the bureau chief. For instance, if you will pick up the Congressional Record you will see the report by the President of the United States of his expenditure of \$150,000,000 that Congress gave him as a lump-sum appropriation without any check. You will hear a great deal of criticism of some of the expenditures by both sides of the House. Now, if the Chief Executive of the Nation is given a lump-sum appropriation and does not spend that money in the way the constitutional body thinks he ought to have spent it, do you think it advisable to continue to give to chiefs of bureaus lump-sum appropriations to do with as they please in reference to their work?

Mr. BAKER. Let me say two things. In the first place, there is not any law that Congress has ever passed that limited the amount of work that you can place upon an executive officer. We place upon the Government officials a great deal more than any human being could perform and then we wonder why it is not done efficiently. A business corporation that attempted to overload its executives in that way would go into bankruptcy very promptly. In the second place, some great man has said that you can not indict a whole people. I happen to have a personal acquaintance with a good many men in the Government service and the thing that has impressed me is that when a thing is decided to be done, the men I know of go at it and do it.



efficiently and economically, but the waste in Government service is in doing things that ought not to be done; in undertaking enterprises that are not worth while. To answer some of the rather sweeping criticisms that have just been made——

Mr. CAMPBELL. Mr. Baker, before you proceed further with your answer, may I submit a proposition? The railroads and the telephones were run by private enterprise and run by their owners through their hired employees for the benefit of their owners and to serve the public. They were run, I assume, economically. The cost of running them doubled or quadrupled immediately after they went into the Government service and the efficiency at once dropped down in both the railroads and the telephone. How do you account for that in connection with what you were about to say. I would like to have you discuss that phase of the matter.

Mr. BAKER. There is a mistaken idea regarding the railroads. We are judging the railways, all of us, on the fact that their financial returns are bad. They lost money and have been coming to Congress for a great deficit, and the reason is very easy to see.

Mr. CAMPBELL. How do you account in that same connection for the inefficient service? It never was as bad.

Mr. BAKER. The inefficient service was largely due or partly due to the war conditions, which made them hampered for men and for materials, and they were overloaded with business, and so on.

Mr. CAMPBELL. But their pay rolls show they had more men than they ever had before.

Mr. BAKER. But they were being run by the same men who had run them originally under private management, and, so far as there was inefficiency, it was due to an attempt to centralize everything in Washington and an attempt to control everything from Washington, and in that way take away the incentive, the esprit de corps, on which we must rely for having our railways efficiently operated. The trouble with the railways financially was not inefficiency of management, but was from the fact that the cost of living increased about 100 per cent. That meant cutting in two the value of the dollar. The railways' cost of living increased, and they had to increase the wages to their employees, because the cost of living had increased so and they could only increase the price of the commodity they manufactured, namely, transportation, 25 per cent. Any manufacturer in that same position would have gone bankrupt, and the only thing that saved them was the increase in their volume of business, which helped them out somewhat.

The CHAIRMAN. Mr. Baker, you have spoken of Mr. Davis, of the Reclamation Service, and I want to say with regard to that service that we do appropriate just along the lines you have suggested. We give for each project practically the amount estimated, and then in addition to that a leeway of 10 per cent. Congress has done that because Mr. Davis has convinced Congress that he is an efficient Government official, who does not spend money wastefully, like so many of the others, and when we find an official who does that, we do that very thing; but where we find one who needs watching, we are going to watch him and throw around the Treasury all the safeguards that ought to be thrown around it, and I think that is just what a business man would do. Of course, in the first place, a bus-

ness concern would get rid of an official whom it could not trust in a broad way.

Mr. BAKER. Yes.

The CHAIRMAN. Now, I can see your viewpoint, but, so far as the matters in which the members of your society are particularly interested, our engineering projects, Congress has done just what you say where the official shows a disposition to do just what Congress would do and just what Congress desires to have done, and that is to adopt those methods of business that business men adopt in the conduct of their business, and show a desire to be economical and not a disposition to waste appropriations.

Mr. BAKER. That is splendid. May I say just one word there as bearing out what you have just said, Mr. Chairman? Two or three years ago I was in conference with one of the principal engineers on the Southern Pacific Road in California, and he told me that the work done by the United States Reclamation Service on the whole was more economically done and more efficiently done than they were able to get work done for the Southern Pacific Railroad Co. That was putting a pretty high test on it, and I am very glad to know, sir, that you do give such recognition to the efficient public official and leave his hands untied so he can do efficient work.

The CHAIRMAN. I think Mr. Davis will not say that his hands have been tied with regard to appropriations being too much in detail or too many restrictions having been thrown around him.

Mr. BAKER. Gentlemen, I am afraid that I have taken time that other experts ought to occupy and I am sure you want to hear from Mr. Lewis.

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WEDNESDAY, OCTOBER 1, 1919.

**STATEMENT OF MR. NELSON P. LEWIS, CHIEF ENGINEER,  
BOARD OF ESTIMATE AND APPORTIONMENT, MUNICIPAL  
BUILDING, NEW YORK.**

The CHAIRMAN. Mr. Lewis you are a member of the engineering council?

Mr. LEWIS. Not of the council; I am a member simply of one of the organizations, vice president of the civil engineers.

The CHAIRMAN. Will you state for the record just what your official position is with the city of New York, and what your experience has been as an engineer.

Mr. LEWIS. I am the chief technical adviser of the board of estimate and appointment, which is the budget making authority of New York City, and really a commission form of government although they don't know it, nearer a commission form of government than most cities have, that has to pass upon all public improvements. I presume I was asked to come by reason of the fact that I have been working under this board as chief engineer ever since that office has existed and have had pretty close view of the results of New York budget making. Shall I go right on?

The CHAIRMAN. Yes.

Mr. LEWIS. It may seem a far cry from the Federal Government to New York, and yet the budget of New York City for this year

reaches the sum of \$248,025,434. That is the portion of New York's expenses that are raised in a tax levy by direct taxation, but does not take into account other enterprises which are paid for by loans.

Mr. MADDEN. Does it take in the special assessments?

Mr. LEWIS. No, sir; not at all.

Mr. MADDEN. How much does that amount to?

Mr. LEWIS. That will amount this year to \$10,000,000 in special assessments for physical improvements, such as street improvement and sewers. It varies from \$6,000,000 to \$12,000,000.

Mr. MADDEN. That makes a total of about \$258,000,000.

Mr. LEWIS. Yes. Then there are the projects paid for from loans like the extension of the Rapid Transit System and the Catskill water project which has run in the aggregate up to over \$160,000,000 or nearly \$200,000,000, and public buildings and things of that kind.

Mr. MADDEN. But the water conduit pays its own way out of its own revenues, does it not?

Mr. LEWIS. It will ultimately, but a gravity supply takes a very large investment while it is being invested and while you are finding a market for your water before your water receipts are going to meet the fixed charges on a hundred mile conduit and enormous reservoirs, so it will be some time before the Catskill project is self-supporting.

Mr. MADDEN. Do you make a tax levy against the property of the city to carry on the project?

Mr. LEWIS. No, sir; we issue bonds.

Mr. MADDEN. Against the water revenues?

Mr. LEWIS. Against the water revenues ultimately, but they have got to be amortized and the interest met from the general budget.

Mr. MADDEN. But, as a matter of fact, that would not be a part of the so-called levy against the city.

Mr. LEWIS. Yes, sir; this budget includes interest and sinking fund on all city debts.

Mr. MADDEN. Oh, yes; it would include that.

Mr. LEWIS. And then those taxes when they are levied are segregated, some of them into the various sinking funds and some to amortize the water bonds which generally are self-sustaining after they get started.

The CHAIRMAN. Where do your estimates originate?

Mr. LEWIS. The different administrative departments submit to the board of estimate and apportionment along in August or September. They are reviewed not first by this board of estimate and apportionment which, by the way, consists of only eight members, eight elective officers, but by certain clerks and technical men who have had pretty big experience as constructing engineers and investigators, and who analyze all of these estimates and present them first

to say that the debt service is about 40 per cent of the entire budget, interest and sinking fund on debts.

**Mr. MADDEN.** What is the percentage of value on property fixed for assessing purposes?

**Mr. LEWIS.** Full value, and it is full value; in fact, it has been more than full value in some cases. Then the permanent improvements are financed through loans, the aggregate of which must never exceed 10 per cent of the total assessed value of the property, but a self-sustaining project like the water supply, rapid transit project in operation, and self-sustaining are excluded in estimating that limit of indebtedness. Perhaps, gentlemen, this is of no interest to you and is perhaps foreign to the matter, but I want to say that it seems to be of considerable advantage that the governing body of the city should have before it at one time the demands of all of the city departments; that it does not hear them, perhaps, one this month and one next month and hear their earnest pleas and their emphasis upon the vast importance of their particular activities, but must hear them altogether at one time and have before the body an estimate of the entire expenses of running the city for the next year. The board gives hearings, after it has prepared its tentative budget, to all the departments and bureaus affected. They can protest; they can beg for increases; sometimes they get them. Then there is a taxpayer's hearing also, and after that, the budget, which must be signed before the last day of October, midnight—we have to set the clock back—goes to the legislative branch of the city government.

**The CHAIRMAN.** It does not go to the mayor?

**Mr. LEWIS.** The mayor sits as chairman of the board of estimate and apportionment and signs it. It goes to the legislative branch, the board of aldermen, who give hearings, and they may reduce but they can not increase any single item.

**Mr. MADDEN.** Have you any organization outside of the so-called board of estimate whose duty it is to ascertain the facts before they are submitted to the board of estimate with respect to the needs of the various departments and to endeavor to correlate them.

**Mr. LEWIS.** The estimates, of course, are made by the departments. Then the board of estimate has quite a staff of experts which have been drawn in the past from various departments, a man who has experience in water supply, a man who has experience in highway construction and sewer building and street cleaning, and so forth, and whose business it is, not during this particular time but during the entire year, to know about these matters. Gentlemen, I think budget making is not a thing to be concentrated in two or three weeks or months, but is an all-the-year-round performance; that is, whoever is the budget-making power should have at his disposal a staff of men whose business it is to inform themselves constantly and be able to answer questions when they are asked.

**Mr. MADDEN.** Is there anybody connected with the board of estimate who has final veto power over the action of the board of estimate before the estimates are finally concluded?

**Mr. LEWIS.** No, sir; a majority of that board is conclusive.

**Mr. MADDEN.** So that the mayor has no superior power.

**Mr. LEWIS.** No, sir.

**Mr. MADDEN.** He only has a vote like anyone else.

Mr. LEWIS. That is all. When this goes to the board of aldermen and they approve it, then there is a resolution that comes back to the mayor for his signature and in its final form is signed by the mayor, comptroller, and the city clerk with the seal of the city on it.

The CHAIRMAN. And he appoints the members of the board.

Mr. LEWIS. They are elective officers. Here is the plan of the New York City budget——

Mr. MADDEN (interposing). The borough presidents sit on the board?

Mr. LEWIS. Yes, sir; they sit on the board, and that is a rather weak point in the New York budget. That is a weak point in that our borough presidents are pretty large spenders of the public money and they are administrative officers. Their budget in the aggregate this year amounts to about \$10,500,000, and it seems to me to be a rather sound fundamental principle that the men who spend the money should not sit in the appropriating body.

Mr. MADDEN. The president of the board of alderman sits on the board?

Mr. LEWIS. He is a member of the board of estimate and apportionment. While the borough presidents represent five out of the eight members of the board, their voting power is that of the minority. Those officers have different voting power, and the 5 borough presidents cast 7 out of the 15 votes.

Mr. MADDEN. Does the Borough of Manhattan have the controlling power?

Mr. LEWIS. The Boroughs of Manhattan and Brooklyn cast 2 votes each, while the other 3 boroughs cast only 1 vote each. The 3 members who are elected at large, the mayor, president of the board of aldermen, and the comptroller, cast 3 votes each, or they have a clear majority of the 16 votes on the board. It has been suggested that those borough presidents, who are administrative officers, should not sit upon this board at all, but that men should be elected to represent each borough, and who should do nothing but sit on the board of estimate and apportionment and attend to the city finances, those men to have no administrative duties and not to spend any of the money that they vote for.

Mr. MADDEN. Is it your idea that men having jurisdiction over administrative affairs ought not to have anything to do with the making up of the budget?

Mr. LEWIS. I think it is unwise to give them a final vote on it. They ought to present their estimates and make their plea, but I think they should have no vote upon it. For instance, to have the head of one of your Federal departments to come into this committee and have a vote upon the amount that you will give him for his service, would be a risky procedure.

Mr. MADDEN. It does not necessarily follow that he is making up the budget when he votes on how much he wants.

Mr. LEWIS. He sits on this board and votes on how much he will get.

Mr. MADDEN. On how much he wants, but not on how much he will get?

Mr. LEWIS. Yes, sir; on how much he would get.

Mr. MADDEN. Suppose the city council decides that it will not give it?



Mr. LEWIS. That is true, but that is something that almost never occurs. The city council or board of aldermen has almost never cut an appropriation, although last year it did cut a few increases in salaries.

Mr. BYRNS. As I understand you, a clear majority of the appropriation-making body is composed of men who are elected by the entire city, or who represent the entire city?

Mr. LEWIS. Yes, sir; at large. The others are elected by their constituencies, each one by one of the boroughs.

Mr. TEMPLE. The 9 votes that are cast by three men are cast by men who are not connected with spending activities of the city?

Mr. LEWIS. No, sir; except that the mayor has the absolute power of appointment and removal of the great metropolitan department heads, just the same as the President has with regard to the Federal department heads.

Mr. TEMPLE. The other 7 votes represent actual spending activities of the various bureaus of the city?

Mr. LEWIS. Seven votes are cast by the five borough presidents. The comptroller has 3 votes, but he has nothing to do with it except as the auditing officer of the city.

Mr. TEMPLE. He is one of the three men who cast 9 votes.

Mr. LEWIS. Yes, sir.

Mr. TEMPLE. And the other 7 votes——

Mr. LEWIS (interposing). The other 7 votes are cast by men who represent spending activities, and, of course, there is bound to be a little logrolling in making the budget between the borough presidents.

Mr. MADDEN. Would it be an advantage to have a budget organization or bureau made up entirely of men who are not connected with the spending activities of the city?

Mr. LEWIS. I think so.

Mr. MADDEN. Why?

Mr. LEWIS. Because there is always a question of allowing any man or group of men to pass upon the amount of the appropriations that they are going to have to spend. That is true, because it will almost inevitably result in a certain amount of reciprocal favors or a little logrolling. It is true in this case that those borough presidents represent only about \$10,500,000 of the expenditures, but each one will be apt to help the other out.

Mr. MADDEN. If you were to select a board, either by election or otherwise, that would have no connection whatever with the Government except to make up the budget, what knowledge would they have of the city's needs?

Mr. LEWIS. Now, the suggestion has been made that the administration of the borough affairs should be left with the so-called borough presidents, but that instead of having them in the budget-making body, there should be men elected to represent each borough at large, the duties of those men to be confined exclusively to sitting with the board of estimate and apportionment, which meets on Friday of every week, and committees of which are sitting several times during the week. The time of those men would be fully absorbed in studying the city's business and passing upon it.

We do not simply make a budget and leave it, but there are constantly coming up requests for little transfers here and there, owing to the fact that I think our budget is too highly segregated. Now

for instance, there are a certain number of men in the engineering bureau, and there will be appropriations for topographic work, for sewer work, and for highway work, and yet if there is a strong demand for highway improvement the head of that department, under the highly segregated budget we have, can not draw on the topographic bureau or sewer bureau to meet the sudden demand for highway improvement. Conversely, if some big plans were called for in the topographic bureau, the head of that bureau could not call upon the sewer and highway bureaus to transfer men to him temporarily to help out.

Mr. MADDEN. Do you think it is a safe practice to allow them to transfer funds?

Mr. LEWIS. No, sir; not funds, but services. I do not see why the system should not be made sufficiently elastic so that when there is a sudden demand for one class of work in a bureau the head of that bureau can draw on other bureaus for assistance.

The CHAIRMAN. I notice on page 193 of the New York budget for 1919, at the bottom of the page, under the heading "New York Public Library," there is an item of \$782,206 for salaries and expenses. Is there any itemization of that appropriation in the budget, showing how much the librarian receives and how much his assistants receive?

Mr. LEWIS. I think that is immediately preceding the item.

The CHAIRMAN. It says that the appropriation is made for the following purposes, and there is an item of \$927,012 for personal services, \$61,500 for supplies, and \$80,900 for purchase of equipment.

Mr. LEWIS. Before that you will find itemized statements covering the librarian, assistant librarians, and every clerk. You will find that at the beginning.

The CHAIRMAN. That is the beginning that I read to you. There does not appear to be any itemization. When you come to the Brooklyn Public Library, you will find an item of \$481,000 for salaries and expenses, but there is no itemization of it. The next is the Queens Borough Public Library, and it is treated in the same way.

Mr. LEWIS. I am a little surprised at that, and I think it ought to be there. It must be shown there somewhere. No; I see you are quite right about it.

The CHAIRMAN. I was just going to inquire whether or not there is any itemization in addition to the budget or whether the budget is complete.

Mr. LEWIS. This budget is complete as printed. You will notice that in the other appropriations the items are given.

The CHAIRMAN. I notice that in quite a number of other appropriations the items are set forth very minutely, but there are a few that are not itemized.

Mr. MADDEN. The board of education does itemize its accounts?

Mr. LEWIS. Yes, sir.

Mr. MADDEN. That is, when it gets its allotment.

Mr. LEWIS. The board of estimate and apportionment itemized it, but the board of education resents that quite bitterly.

The CHAIRMAN. When your budget is approved in the legislative body, or the board of aldermen, as I understand it, the members of that body have no right to increase the appropriations, but they have a right to decrease them?

Mr. LEWIS. Yes, sir.

The CHAIRMAN. Do the members of the board that makes up these estimates have the right to discuss the items on the floor?

Mr. LEWIS. If they want to have them reduced, they have. But let me say that the five borough presidents also sit in the board of aldermen and the president of the board. Six out of eight of the members of the budget-making body sit in the board of aldermen. The five borough presidents and the president of the board of aldermen sit there, the president of the board of aldermen being vice mayor and the presiding officer; so that all but the mayor and comptroller again have the opportunity to discuss and vote on the budget.

The CHAIRMAN. The budget, then, goes through practically, I take it, as it is finally approved by the board of estimates and apportionment?

Mr. LEWIS. Almost entirely, although last year there were a few salaries reduced.

Mr. CAMPBELL. Is there ever any attempt on the part of any head of a department to secure an increase?

Mr. LEWIS. During the year?

Mr. CAMPBELL. Yes; during the year.

Mr. LEWIS. Yes, sir; in great emergencies, but only in great emergencies is that possible. Of course, in the department of street cleaning you can not make any provision for snow removal. Last winter there was no snow, but the winter before a million dollars was spent for snow removal. Now, in an emergency of that kind, there is a distinct provision in the charter that the board of estimate and apportionment can issue revenue bonds to the extent of several million dollars. They are short-term loans and are taken up the following year. They are carried in the next year's revenue. There is an existing limit, I think, of \$3,000,000 on the amount, exclusive of that for snow removal. Special revenue bonds can be issued to meet any emergency in any one year. Of course, there are always some unforeseen emergencies.

For instance, there was the influenza epidemic, and the head of that department had to get a large appropriation to meet the emergency. That is the reason for issuing those short-term notes or revenue bonds. In other words, we expect in the budget for 1920 to pay the cost of fighting the influenza epidemic last year.

Mr. MADDEN. Before a thing of that sort can happen, it is necessary for the council to pass an act or ordinance declaring an emergency to exist?

Mr. LEWIS. Yes, sir; but they do not do it in the form of a declaration of emergency, but the board of aldermen will request or recommend that the board of estimate and apportionment shall issue so much revenue bonds. It requires a unanimous vote in order to

issue those bonds for those particular purposes, and that must be signed by the mayor, who has the veto power.

Mr. MADDEN. It is not submitted to the people?

Mr. LEWIS. No, sir. In fact, the people never vote on the budget.

The CHAIRMAN. What has been the result of the adoption of the budget system, so far as efficiency and economy are concerned?

Mr. LEWIS. Well, we have had it so long that I can not quite imagine how New York would get along under any other system, and that is for this special reason: In the case of New York, there is a limit upon the amount that we can raise by taxation, and an absolute limit upon the amount of bonds that we can issue. That is fixed constitutionally as a percentage of the taxable values. We have no means of raising money by the imposition of new taxes, except on real estate. I am very confident that it has resulted in an orderliness of administration in New York City that I do not think could have been obtained in any other way. Now, this budget-making scheme applies, not only to the handling of funds raised for operating departments, but also to what we call our corporate stock issues, or our loans. For instance, we have a certain amount for rapid transit, water supply, for building docks, for schools, for a courthouse, public buildings, and things of that kind. We do not make an initial appropriation now in order to get a job started. We do not do that any more, but we used to do that. We used to commit ourselves to it and then come on for a lot more. Now there has got to be a show-down. For instance, the Catskill water project was estimated to cost \$160,000,000, and it was all set aside in the beginning. Then we set aside some \$20,000,000 for new docks at Staten Island, and we set aside money for rapid transit subways. We set aside the money and keep enough to finish the job. They do not make an appropriation just to commit themselves to it, and then come back next year and say, "You have got it started and must keep it going."

Mr. TEMPLE. I would like to ask you another question with regard to the make-up of the board: The borough presidents sit with the board of aldermen when they make the appropriations that are based on the budget estimates?

Mr. LEWIS. Yes, sir; they sit with them all the time.

Mr. TEMPLE. How many of the 16 votes that go to make up the budget estimates are cast by men who sit with the appropriating body?

Mr. LEWIS. Do you mean the final appropriating body, or the board of aldermen?

Mr. TEMPLE. Yes.

Mr. LEWIS. Ten out of 16.

Mr. TEMPLE. How would you classify this body, or would it be possible to classify it—as a legislative body or executive body?

Mr. LEWIS. The budget-making power of the city is in a board somewhat peculiarly constituted, in that certain legislative functions are performed by administrative officers. The mayor, comptroller, and president of the council have executive duties or administrative duties, and so have the five borough presidents. All of those officers, except the comptroller and mayor, sit in this legislative body, which has nothing to do with making the budget, but only with its final approval. It has also the power to reduce, but its powers are not great in regard to the budget.

Mr. MADDEN. Yet those men who sit with the council represent only about \$10,500,000 of the total expenditures of \$158,000,000?

Mr. LEWIS. Yes, sir.

Mr. TEMPLE. But they have 10 votes out of 16.

Mr. LEWIS. When you add the president of the council, who also is the vice mayor and who sits with the board of estimates and apportionment in the making of the budget.

Mr. TEMPLE. How many of the men who sit in the budget-making body also sit in the appropriating body that acts finally on the budget?

Mr. LEWIS. Six, with a total of 16 votes.

Mr. TEMPLE. Ten out of the 16.

Mr. LEWIS. Yes, sir.

Mr. TEMPLE. I suppose one of them presides without voting, except to cast the deciding vote?

Mr. LEWIS. Yes, sir. He is the only three-vote man that sits in that way. Except for him there would be 7 out of 16 votes.

Mr. MADDEN. In council, though, they would have only 1 vote?

Mr. LEWIS. That is true in council.

Mr. PURNELL. Whom do the people hold responsible for the budget?

Mr. LEWIS. Right straight through from the board of estimates and apportionment up to the mayor.

Mr. PURNELL. There is fixed responsibility for it?

Mr. LEWIS. Yes, sir; the mayor and comptroller absolutely dominate the board of estimate and apportionment.

Mr. TEMPLE. How many votes are there altogether in the board of alderman?

Mr. LEWIS. Sixty-five or sixty-six, but they vote only as individuals there.

Mr. TEMPLE. Those six men would not have the controlling influence in the board of aldermen?

Mr. LEWIS. No, sir; I think there are 65 members of the board of aldermen, and the 5 borough presidents make the number 70.

Mr. MADDEN. They would have influence to the extent that they have patronage to distribute among the members of the board of aldermen?

Mr. LEWIS. Yes, sir.

The CHAIRMAN. Would that help or hinder?

Mr. LEWIS. They think it helps them, but I think it is really a handicap.

The CHAIRMAN. Do you have any further statement you desire to make?

Mr. LEWIS. No, sir; and I am sorry to have taken up so much of your time.

The CHAIRMAN. Your statement was very interesting and had a direct bearing on the broad question before the committee. We thank you very much.

Mr. LEWIS. I thank the committee.



WEDNESDAY, OCTOBER 1, 1919.

**STATEMENT OF MR. ARTHUR P. DAVIS, DIRECTOR AND CHIEF ENGINEER, RECLAMATION SERVICE.**

The CHAIRMAN. Mr. Davis, you are connected with the Reclamation Service?

Mr. DAVIS. Yes, sir; I am Director and Chief Engineer of the Reclamation Service.

The CHAIRMAN. How long have you held that position?

Mr. DAVIS. I have been Director of the Reclamation Service for about four years.

The CHAIRMAN. You are an engineer by profession?

Mr. DAVIS. Yes, sir; I have occupied the position of chief engineer for 12 years.

The CHAIRMAN. Now you may proceed with your statement.

Mr. DAVIS. The question of a national budget is one of great interest and importance, and no doubt it is possible to make great mistakes if it is attempted along wrong lines. A change could be justified only by the existence of serious difficulties with the present system. Those difficulties, as I see them, are of two characters: First, there are a very large number of estimating officers, every bureau of the Government making independent estimates. No attempt is made to correlate those estimates with others, and no authority exists by which it can be practically done. The other difficulty in the system is the large number of committees to whom those estimates go, and those committees do not correlate their work.

Mr. MADDEN. You say there is no authority to correlate the estimates. Has not the President that authority?

Mr. DAVIS. The President has that authority, but he has not the machinery with which to do it. He has not personally the time to do it, and the necessary machinery has not been furnished. The difficulty of having a correlating authority at the executive end through which to make up an annual budget that does take into consideration the relative importance of all expenditures, and at the same time the revenues that are to be received and from which those expenditures must be met, is very great. The information upon which to base those estimates must come from the executive departments, and yet no head of an executive department is sufficiently unbiased or broad in his point of view to pass upon the whole thing as a budget. The President personally has not the time to do it and he has not the machinery by which it can be done for him. That is one of the essential features of the proper making up of the budget. The budget itself should be distinctly separate and distinguished from the appropriation act which provides the funds for carrying on the Government. The budget is together a report, a statement of the financial condition, financial prospects, financial needs, and financial recommendations. Many of those features do not belong in an appropriation bill at all, and the appropriation bill should be gotten together on an entirely different basis. All appropriations should be considered by the same authority, in order that the relative needs may be considered, and in order that the funds that are available

may be put to the best use, and that makes it necessary that the functions of the Ways and Means Committee of the House should be placed in the same committee that considers the appropriations.

The great trouble now is that there is no consideration together, as a whole, of the appropriations and of the means of meeting the appropriations, but they are given separate consideration from totally different points of view. The Appropriations Committee has to depend upon the recommendations from the executive departments and bureaus, whose work is not correlated at all, and which, even with the best of intentions, can not properly weigh and consider the relative importance of their various activities. Then, appropriations are made without respect to where the money is coming from, and this is one of the difficulties that it is desired to overcome. Even now, with the duties upon the Appropriations Committee of the House of Representatives, they are burdened by an immense amount of detail, which means that the details into which appropriation bills go are so voluminous that proper consideration can not be given a large number of those details, and they go through upon very little consideration necessarily as a matter of physical necessity.

Mr. CAMPBELL. Do you mean in making up the estimates for committees of Congress?

Mr. DAVIS. I mean by committees of Congress. For example, there are a number of salaries that are directly appropriated for, and so great a bulk of the appropriations is made up by defining the salary that each individual is to receive in each department that the head of the department can not intelligently make up such an appropriation. He would have to depend upon his subordinates to do that, and while the difficulties in the way of arriving at a method of appropriation which will not include all of those details, I admit, are very great, still, in my opinion, it should be regarded as a goal at which to aim.

Mr. MADDEN. What method would you suggest different from the one now employed?

Mr. DAVIS. The method prescribed by the chairman in making appropriations for the Reclamation Service, I think, approximates the ideal. When the law was enacted requiring us to submit annual estimates for the making of appropriations for the Reclamation Service some of us apprehended difficulty and embarrassment, but I want to say that after four years' experience with it we would not go back to the other method if we had the power. There has been nothing in the action of Congress to hamper us, and while there are occasions when the other method would be somewhat more convenient, the dangers are greater than the convenience of it, and it is a great relief to have Congress share the responsibilities.

One of the other difficulties with the present system of apportioning the public funds is the heterogeneous nature of the different departments. The Treasury Department, for example, instead of being solely the financial department of the Government, to collect and disburse revenues and make recommendations concerning them, has in it also the Office of the Supervising Architect, which is an engineering bureau. It also has the Coast Guard Service with activities totally different from the financial functions of the Treasury Department. It has also in it a Public Health Service, which has

functions totally different from the normal or natural functions of the Treasury Department.

That makes it impossible to separate the different departments along the line of activities. One of the most striking illustrations of that is the department in which I serve—the Interior Department. Three of the principal bureaus of the Interior Department are of an engineering nature, but it includes also the Patent Office, the Pension Office, the Bureau of Education, and the Bureau of Indian Affairs which have practically nothing to do with engineering matters and nothing to do with each other. They belong to some other department, if an engineering department is going to be organized. One of the steps toward making it possible to have an intelligent, convenient, and economical budget system is to so segregate the departments that they will be logically divided, and so that the same class of activities will be in the same departments, with different classes of activities in other departments. The engineering council, which this committee represents here, is now actively supporting a very important measure in that direction, which is for the creation of a department of public works by changing the Interior Department so it does not make a new department, eliminating from the Interior Department those bureaus not of an engineering or public works nature and placing in it some that are not in that department now which are of that nature.

There are now seven different bureaus with engineering functions: the Treasury Department, with its Supervising Architect's Office; the Agricultural Department, with its Bureau of Public Roads; the War Department, with its river and harbor work; the Department of Commerce, with its lighthouse commissioner and its Bureau of Standards. All of those engineering functions should be concentrated in one department, and that department relieved of responsibilities of another nature, such as the Patent Office and the Pension Office; and until that is done, the burden of making up and properly and intelligently considering a budget will be far greater than there is any necessity of its being. If the department naturally segregates things into the various lines of activity that greatly simplifies and greatly relieves the work of the committees of Congress which have to consider this budget, and at the same time tends to economies because, as a natural thing, when fluctuating needs of different bureaus for engineers of different capacities are brought out, those can be better settled within the department itself than by communication with other departments that are not in close touch with such matters.

Mr. MADDEN. Upon whom would you place the responsibility of originating the budget for the expenses of the Government?

Mr. DAVIS. Upon the President. The responsibility must be with the President, the executive officer, and he should be provided in my opinion, with some machinery corresponding to what is called the Treasury Department in the British Government which has totally different functions from our Treasury Department, in that it is the budget-making department, and the details of collecting and disbursing revenues are not in that department at all. They are in a separate department. That is simply a difference of name, but some such department, depending for its information upon the other departments and their subordinate officers, to be thoroughly trained and actually to become acquainted with the needs of the different

departments to correlate their estimates and in cooperation and conference with these different departments prune down where they are going too fast and correlate them together so as to make a consistent and nonduplicating system of expenditures and activities.

Mr. PURNELL. Would you have that body appointed by the President and subject to removal by him, or have it a continuing body, regardless of change in administration?

Mr. DAVIS. It should be absolutely appointed by the President and removable by him, otherwise the President can not possibly be held responsible for it; but, probably, some provision could be made in the law which would, in effect, make it a continuing body and that should, if possible, be done.

Mr. PURNELL. What would you say to the proposition of having the head of it subject to removal by the President and the clerical force of trained experts a continuing body?

Mr. DAVIS. Yes; that is good, and practically achieved by putting an ironclad requirement that they shall be subject to civil-service status and regulation.

Mr. CAMPBELL. Suppose you put a new head over a commission of that kind. He has been useful in the campaign of the President and comes in and finds an organization that knows all the ins and outs and all the details. They know where they can make increases or help out in a matter where they have been urged to help out, he is absolutely helpless in their hands just as the Secretary of War when he first comes in or the Secretary of the Navy when he first comes in is absolutely helpless. The War Department runs on and the Secretary has nothing to do except to sign his name, and the same is true of the Navy Department until, if he is a studious man, he acquires some knowledge of the details of his department.

Mr. DAVIS. Yes, sir.

Mr. CAMPBELL. Otherwise he would be absolutely helpless, and that would be true of this man with a continuing civil-service body as there is in the other departments; is not that true?

Mr. DAVIS. I do not think he would be helpless. He would be dependent upon them for information, and there can be no law or no machinery which will take the place of human honesty and human ability. We must depend upon that in the last analysis, but the first step is to make efficiency and honesty and good business methods possible.

Mr. CAMPBELL. I have been waiting for somebody, in connection with these hearings, to suggest a way of making public servants, spending the public's money, whether it is the money of the city or the county or the State or the Government, look upon the expenditure of that money as they would look upon the expenditure of your money or my money if they were working for you or for me, or working for themselves.

Mr. DAVIS. I think there is more of that spirit in the Government service than you seem to think there is, although the opposite spirit is, of course, present.

Mr. CAMPBELL. I have not found many public servants outside of Congress who have any use for the word economy and few of them have practiced efficiency. That is the experience we are having and especially has that been true in the last three or four years.

The CHAIRMAN. Mr. Davis, I fear that you are perhaps drawing a conclusion that is not warranted, based perhaps on the way you are conducting your own office. Let me give you an illustration of the problem Congress has to deal with. Here is an estimate for the first deficiency bill. The Auditor for the Treasury Department asked for 14 clerks of Class 1 at \$1,200, 25 at \$1,000, 10 calculating-machine operators at \$1,200, check sorters, 7 at \$720 and 25 at \$700. (Of course, these all receive the additional compensation of \$240 so that a clerk at \$700 really gets \$940 and one at \$720 would receive \$960). Now, we turn over to the next page, and the Auditor for the Navy Department asks for some additional help and he wanted 80 of class 4, which is \$1,800, and with the bonus would get \$2,040; 30 of class 3, at \$1,600, and 30 of class 2 at \$1,400. When his attention was called to the fact that he was not asking for a single clerk of the grade of check sorter, although they have check sorters, he said that his lowest salary was \$900; and the \$900 clerk would receive \$240 additional, or a total of \$1,140.

The Auditor for the Treasury Department comes in and says that he can get all he wants of the \$700 and \$720 grades because the sort of clerk who simply sorts checks comes into the Government service at that rate and all they have to do is to sort checks, and as they become familiar with the work and become efficient they are advanced, whereas the Auditor for the Treasury Department states that he can not get them at all, and yet both offices are right here in the city of Washington. There we have two officials, one is efficient and one is inefficient, as shown by their own statements, and there is where Congress meets with the very difficulty that I fear you have not taken into consideration with regard to these inefficient men who seem to have no desire to economize but only to fill his office with high-paid clerks, even those who just come into the service and have no knowledge of the business of the office.

Mr. DAVIS. There is undoubtedly a great difference in the efficiency of different officers of the Government. I am not familiar with these cases.

The CHAIRMAN. That is just the reason why Congress is forced when it comes to making the appropriations to give an official so many clerks of the different grades, and in arriving at that the amount is always based on the estimates, keeping in mind, where there are two services that are similar and the character of the employment is similar, the wages ought to have some relation, one to the other. If you do not do that then you have the clerk in the office where the salary is the lowest asking for a transfer to the office where the salary is higher for the same character of work and that pervades the Government service to-day. There are exceptions, of course, but the exceptions are few and the general rule is that there is no relation and no attempt to correlate the services with corresponding salaries.

Mr. BYRNS. Will not that very trouble be relieved by having one responsible head who, in the last instance, submits the estimate?

Mr. DAVIS. To some extent, possibly, but it occurs to me, without any special knowledge of the subject, that the very fact that these salaries are made ironclad and can not be changed, tempts the more experienced executive officer to be sure in his estimate to make them high enough, because he knows that if he can not get the men at the



salary appropriated he can not get them at all, or he will have to put up with incompetent people.

Mr. HAWLEY. What would be the result if he had a free hand in fixing the salaries in his department?

Mr. DAVIS. If he were the proper executive officer, the result would be good. If he were not, the result would be bad.

The CHAIRMAN. If you had a lump sum appropriation in each department, giving to the chief of that department the right to fix the salaries, he would not want to train a single clerk; not one in twenty would want to train clerks but would pay the price to get the clerk that somebody else had trained and as a result you would have one department bidding against the other and the sky would be the limit on the price paid even to ordinary clerks.

Mr. DAVIS. That may be true of some officials. It has not been my observation, however. I do not wish to say anything about the service with which I am connected, because the chairman has already given it as high praise as it deserves, perhaps higher; but I can without immodesty speak of some other departments I am familiar with. I spent many years in the Geological Survey. That service has lump sum appropriations to expend. An appropriation, for instance, will be made for topography. That broad term authorizes all manner of expenses and the hiring of people at salaries, a few of which are fixed by law, but the major portion are not. That is true of their stream measurements and of their geological work. The same is true to a large extent of the Forest Service.

The CHAIRMAN. In speaking of the Geological Survey, you are speaking again of a service with which Congress has had no quarrel at all.

Mr. DAVIS. Absolutely, that is true.

The CHAIRMAN. It has been an efficient service, but when you take a service like those in the Treasury Department where there are over 30,000 employees, and in the War Department where there are around 27,000 employees, and I might mention others, you find altogether a different condition.

Mr. DAVIS. I am merely mentioning instances that prove that making lump-sum appropriations is not in itself demoralizing.

Mr. CAMPBELL. In the last few years in every enterprise that has been undertaken where a lump-sum appropriation has been given, there have been inexcusable abuses. Every commission and every bureau that has had a lump-sum appropriation to carry on a matter that the country was feverishly interested in having established and much interested in having well conducted, have simply recklessly spent money.

Mr. DAVIS. There is one other matter I would like to mention with regard to these bureaus that have lump-sum appropriations with which I am personally somewhat familiar. It is possible for Congress, keeping a close knowledge of what is going on so that it can be stopped if abused, to give much greater incentive to efficiency and economy by certain very slight and easily made changes in the appropriation bills. For example, the Geological Survey is a large publisher of maps. Those maps are sold to the public. The money that is received from those maps must be turned into the general fund and is not available for reexpenditure without reappropriation. The expense of printing the maps is made the subject of special

appropriation in the regular bill; If the incentive could be offered that the Reclamation Service has, I believe the effect would be good.

I am satisfied that if the Geological Survey had the expenditure of the profits from its map-making bureau it would stimulate the sale of those maps by means in its power and at least they would have greater incentive to do so than they have now. The same is true of the Forest Service. If the Forest Service could spend their revenues without appropriation and only such appropriations made them as would be necessary in view of the prospective revenues, the Congress would achieve in my opinion an economy. They would encourage the efficiency and economy of that service because they could do more work with the same amount of appropriation.

Mr. CAMPBELL. Was there not a broad discretion given the Forest Service in the use of money by way of a revolving fund some years ago?

Mr. DAVIS. Not to my knowledge.

Mr. CAMPBELL. I had the impression that there was; during Mr. Pinchot's days.

Mr. DAVIS. I think not. I think always the revenues of the Forest Service have gone into the general fund and the expenses have been paid by direct appropriation.

Mr. BYRNS. Mr. Davis, if the plan you suggested just a few moments ago was adopted and followed, generally, would it not result, ultimately, in no one being able to tell just what the Government was costing the people?

Mr. DAVIS. No, sir. You can require just as rigid an accounting every year as possible, and that under the present system is not practicable, because there is not any machinery for correlating receipts and expenditures in one budget. That is one of the principal advantages in a budget system. It would make it possible for Congress to place all of the productive bureaus—not the administrative bureaus purely, of course—upon a sort of autonomous basis, like the State universities, for example, are; or like the Reclamation Service.

Mr. BYRNS. Of course, those officers would make reports setting forth the amount of money collected and the amount expended; but after all, those who are interested in the expenditures of the Government look to the appropriations that are made from year to year as the cost of the Government, and I fancy that in the end there would be a great many people who would be deceived as to just what the National Government was costing the taxpayers if that policy was followed generally.

Mr. DAVIS. It would be very easy to make the facts public, however. I see there is a possibility of concealment of facts in there if that was deliberately attempted, but any intelligent man could work it out, and if Congress so provided, it could be made to stand out boldly itself.

Mr. BYRNS. I was not assuming that anybody would conceal any facts about it deliberately, but even with a definite, correct statement of moneys collected and moneys expended in that way, without having to go through the general treasury and be reported from year to year, it seems to me a great many would be, I will not say deceived but misled.

Mr. DAVIS. I do not mean that there should not be a definite appropriation made. There would have to be an estimate of how much the deficit was going to be or how much the surplus was going to be, and that would have to be taken into account in the annual appropriation bill, and appropriation made accordingly. For example, the Postmaster General would come here——

Mr. BYRNS. That is what Congress does now, makes direct appropriations.

Mr. DAVIS. It does not make it so that by rigid economy he can achieve or obtain funds by which some desirable thing that has not been provided for by direct appropriation could be accomplished. There is where the economy would come in. The Postmaster General might, for example, have a free hand so that he could institute various economies, such as purchase of mail cars or something of that kind, provided he could make enough money out of the service to pay for it, and the proper kind of man would soon get to doing that.

Mr. BYRNS. But would not that have the effect of leaving to the heads of the different services the power to initiate policies of government without consulting the policy-making body?

Mr. DAVIS. It would, unless Congress prevented it. Of course, if there was some particular thing the Postmaster General wanted to do that Congress did not want him to do, they could prohibit it and he would have to obey.

Mr. HAWLEY. How would they know that until he had accomplished what he had in mind? If he had the right to save money out of some other appropriation and go ahead and inaugurate this new system——

Mr. DAVIS (interposing). The policy that is followed by the Reclamation Service is to accompany its estimates with what they intend to do with the money, and Congress does not make an appropriation confining the money to those purposes. It makes a lump-sum appropriation for each project. Now, when the end of the year comes, our report states where there has been any diversion, and my opinion is that in the working out of this matter if a general policy of this kind is adopted by the Congress, the departments should be held upon that to a very strict accountability, and no head of a department for the sake of one year's free hand is going to inaugurate any great abuse.

Mr. HAWLEY. You do not mean to say that in your administration of the Reclamation fund you undertake any work you have in contemplation that you have not stated to the committee?

Mr. DAVIS. Yes, sir; that is, that I have not stated in specific terms. We have, for example, a big washout on a canal, if we had a rigid appropriation we could not repair that.

Mr. HAWLEY. But that is in line with your specific work on that project.

Mr. DAVIS. Yes; and the appropriation is for a specific project. We say, for example, on certain projects we want to build certain canals and we also say we want to carry out certain drainage work. The estimate is made nearly a year before it becomes available and nearly two years before it is all spent and conditions are likely to change and our knowledge is likely to change, and by giving us the leeway we have, if we find that the property is being destroyed by

rising ground water, we can postpone some of the canal work and put more money on drainage.

Mr. HAWLEY. But that is an authorized expenditure and the committee fully understood that you were going to construct drainage canals.

Mr. DAVIS. It might not. If we had the money we could spend it for drainage, although we had not said we were. I do not know that we have ever done that, but so far as the law is concerned that is possible.

Mr. CAMPBELL. Mr. Davis, while it has been stated here that you have lump-sum appropriations, as a matter of fact the appropriations are specifically made for specific projects, are they not?

Mr. DAVIS. Yes, sir.

Mr. CAMPBELL. I know that is true of the Indian Service—and by the way, that ought to be under your control rather than under the separate control of the Indian Office. I have never seen any possible excuse for having two reclamation or irrigation services. Then it is not entirely true that you have lump-sum appropriations out of which you get good results in your department.

Mr. DAVIS. In the sense I mean it it is true. I do not mean that Congress should not guide, absolutely.

The end which I have in view is that Congress should guide more efficiently and exactly than it does now the activities of the Government, and it can not do that unless it gives its attention to it, and when its attention is paid to how many men are getting \$840 or \$900 human comprehension is limited, and the more attention that is given to details the less attention must be given to large matters, and when we come to combine in one committee, as a budget system would require, the functions that are now performed by 10 committees that is going to be very greatly emphasized.

The CHAIRMAN. Mr. Davis, the Committee on Appropriations has had a varied experience with regard to these lump-sum appropriations and has seen many abuses of them, and has seen abuses by officials even where the appropriation was not in a lump sum; for instance the Pension Department a few years ago was considered a department whose activities were growing less and less every year as the old soldiers were dying off, and it was thought that there was opportunity to reduce employees, and finally Congress placed a provision on the appropriation bill that only 25 per cent of the vacancies caused by the death of employees or by resignation or removal should be filled. The result was that the commissioner, when there were four vacancies, would appoint a man at the highest salary obtainable and was therefore getting a top-heavy organization. So Congress had then to provide that he could not fill any vacancy until there were four vacancies in one class of clerks. When there were four vacancies of class 4 then he could get an additional clerk of class 4, and when there were four vacancies in the clerks of class 3, he could get a clerk of that class, and so on; and that had to be done in order to prevent the doing of just what that same official would do if he had a lump-sum appropriation. He would not have any clerks at all, as we viewed his disposition, at salaries of \$1,200 and \$1,400.

Now, take the budget that was presented this morning from the city of New York. I was running through it and I found very few stenographers at salaries of \$1,800. Their salaries are around \$1,200

and \$1,400, whereas in the Government service we commence them at \$1,200 and they get \$240 a year additional at the present time—and this was the budget of the city of New York for the present time—a large number of the stenographers in every department to-day are receiving \$2,040 a year. They are clerks of class 4. I do not find any such grade in this budget. There may be one or two in a few departments but the large number receive around \$1,200, and that budget was not prepared in a lump sum but also in detail down even to stenographers, and typists, and file clerks, etc. They are all specified with the minutest detail in every department.

Mr. DAVIS. I think you will find that the chief engineer of the Board of Estimate and Apportionment will not give it as his opinion that that is wise or economical, that it be so specified. I am not able to speak for him but I believe that is his opinion.

Mr. CAMPBELL. Mr. Davis, the Committee on Indian Affairs appropriated lump-sum appropriations for hospitals a number of years ago, and it was so unsatisfactory that I think it was three years ago, we took the lump-sum appropriation out and appropriated specifically for the hospital service in order to get anything like satisfactory results. Money was being spent in Washington, being spent for traveling, being spent for high-priced clerks and that sort of thing rather than being spent as was intended it should be by Congress when the lump sum was granted, so that we were forced to specify so much at this agency and so much at that agency for hospital services. I think you will find throughout the Government service, outside of the Reclamation Service, that lump-sum appropriations have proved very unsatisfactory.

Mr. DAVIS. In regard to one matter mentioned by the Chairman, it may be true in general as he seems to think, that lump-sum appropriations would lead to the hiring of thoroughly trained men even for continuing long service in the Government instead of training them. I do not think that is wise. I have not found it wise in my administration. We very seldom take in people in the higher grades from the outside. There is more than one reason for that. A man of the same capacity taken in from the outside is not as good as the man trained in the service and promoted into that capacity, for two reasons, the first is that he is not familiar with our class of work which must differ from any other work to a certain extent, so with the same capacity and with the same length of experience he is not as familiar with the work and not as useful to us as a man who could do that same work promoted into it.

In the second place, even if he is as useful, the man who is the chief can not possibly know him as well as a man who has served under him for years. He can not place him as well, and he can not give him the proper responsibilities as he could in the case of a man whom he knows closely. For those reasons, I find that in conducting a service well we seldom take a man for one of the higher grades from the outside. If it is properly coordinated and administered, very often it will mean that young men who come into the lower grades will be promoted in accordance with their development of ability and into the lines in which they develop best, and you will not put men in higher places for which they are not fitted.

Mr. BYRNS. As the Chairman stated a while ago, you may look at this from the angle of the particular service of which you are the



head, and which everybody realizes is an efficient service. It seems to me that the difficulty is this: The difference between a Government business and a private business is that those at the head of a private business are interested in conducting the service so that it will make dividends for the stockholders, knowing that if they do not do that they will soon be gotten rid of.

The Government, on the other hand, is not a dividend-making concern. We have heads of bureaus who have come up through the civil service, and it has been my observation, I am sorry to say, that in many instances, efficient as they may be and anxious to render good service as they are, they sometimes become a little careless with reference to the consideration of the amount of money necessary to run their bureaus, from the standpoint of the taxpayer, and I fear that if we had a system whereby we made lump-sum appropriations, leaving it to the heads of the different services to fix the salaries, in many instances you would find that the salaries were being fixed out of proportion to what was being paid on the outside for similar services. They would be subjected, of course, to influences of all kinds to increase this salary, that salary, or the other salary, and possibly pressure might come from Members of Congress who would be interested in employees in those bureaus. Then, there is the additional incentive, of course, to secure the best people for each bureau and to make the conditions in that bureau just as satisfactory to everybody as possible.

Mr. DAVIS. The incentives you mention are, of course, present to a greater extent under corporate management than they are under the Government. What I have tried to make plain is that, as far as possible, it would be wise for Congress to encourage and promote efficiency by similar incentives in the Government service. When a corporation man receives a salary, he gets credit for good achievements, and the same thing should be true in the Government service, and where Congress has an unfortunate experience with a lump-sum appropriation, it can change it.

Mr. BYRNS. At the same time, in private business he would not hold his position long if he did not only render efficient service, but if he did not do his best to conserve the funds of the corporation, whereas in the Government service there is no such incentive as the making of dividends for the Government. Where he renders effective service in the bureau, he will be retained without regard to whether or not he has been to a certain extent, in the opinion of many people, extravagant.

Mr. DAVIS. That is often the case, of course.

The CHAIRMAN. Mr. Davis, do you desire to say anything with regard to the procedure that should follow the budget in the consideration of it on the floor of the House?

Mr. DAVIS. Do you mean beginning from the time it is transmitted by the Executive?

The CHAIRMAN. Yes.

Mr. DAVIS. That budget, in my opinion, should go to one committee. The budget includes a history of what has been done, a financial statement of the Government, what is needed for the Government next year, how it will be obtained through taxation, or otherwise, and will probably include recommendations touching changes in existing law. This committee should be a large one, with

subcommittees that could be assigned to the consideration of the different departments, and the committee should have representatives from the different committees of Congress which have the law-making power. The Appropriations Committee is not a lawmaking committee and should not have anything to do with that.

The CHAIRMAN. For instance, take the Committee on Military Affairs: Do you think that when the Army appropriation, or that part of the budget appropriating money for the Army, was being considered by this central committee, there should be a subcommittee the members of which, or a good part of the members of which, should be members of the Military Affairs Committee of the House?

Mr. DAVIS. I would not put a majority of them on the subcommittee. I would say that the main appropriations committee should be composed largely of representatives of other committees, or that they should be selected with the principle in view that when the military portion of the budget is being considered some member of the Military Affairs Committee should be on the subcommittee which considers it; but I think it would be fatal to make it a majority. That would be going back to the present system. I think that one member, or possibly the chairman of the subcommittee, might be a representative from the Military Affairs Committee. There should be some one from that committee who could by a study of the budget determine what changes of law are desirable so that he could inform his own committee intelligently upon that point. I make that suggestion because those recommendations in the budget include a good many things that verge closely upon changes in the law. For example, changes in the revenue law would necessarily be closely connected with the budget, and there are many other laws that might affect economical administration that the Appropriations Committee could not handle. The concentration of so much power—that is, the power of the nine appropriating committees and the power of the Committee on Ways and Means—into one committee is one of the great objections that has been raised in the arguments. Of course that is unavoidable, but this objection would be largely removed by making up that committee from representatives of committees having lawmaking powers.

The CHAIRMAN. It would also give to the subcommittee considering appropriations for a given department technical advice, or the advice of an expert?

Mr. DAVIS. From that committee?

The CHAIRMAN. From the committee that would have legislative jurisdiction with regard to the subject?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. You regard it as essential that the Ways and Means Committee should be represented in that body. Now, the Ways and Means Committee has always dealt with questions that are purely or largely political, and it has always been the idea of Congress, so far as appropriations are concerned, that politics ought to be kept out and that it should be purely a business of appropriating the money that is necessary for the Government. It has always been the idea of Congress that that business should be divorced as far as possible from all political considerations. Now, if we brought in the members of the Ways and Means Committee it would thrash out the

question of tariff schedules, where you would bring at once a clear line of cleavage in the whole committee. It seems to me that, while it has some elements of strength, it has some that might lead to disaster, and I was wondering whether or not, if there was this close working relation between the committees that you have described as to the totals that are to be appropriated before the bill was reported, so that the Ways and Means Committee and this large appropriation committee would thoroughly understand the problems when the appropriations committee reported out its bill—that is if it knew how much additional revenue would have to be raised, either by additional taxation or by a bond levy, and the Ways and Means Committee knew it also, and they were in accord—the problem as to how that revenue was to be raised and the details of working it out would be left to that committee which is busy all the time studying the details of those problems.

Mr. DAVIS. It is entirely true that a great deal of politics enters into the work of the Ways and Means Committee, but I regard that as one of the abuses that the budget system might and should attempt to remove. The raising of revenue should be a revenue subject, and should have a direct and positive relation and connection with the expenditures or the needs for those revenues, and my idea would be that, while your proposal would make a closer relation between those committees and would greatly improve those committees, I would abolish the Ways and Means Committee and put its functions into this committee which receives and considers the budget.

Mr. TEMPLE. I think different meanings are being attached to the word "politics." It is true that a number of people in the country believe in a protective tariff and another body of the people disbelieve in it, and they will divide on that issue. There is a difference of opinion with regard to Government policies, and that difference involves politics. How can you keep what I would call politics out of questions that are purely questions of policy? People divide on those questions, and that division is, of course, a political division.

Mr. DAVIS. Every question of public policy is a political question in a sense, and of course it is impossible to keep such questions out of Congress, and it would be wrong to keep them out.

Mr. TEMPLE. Is it desirable to keep them out? The people must have some expression of their opinions and they get that by electing Members of Congress. Now, if you concentrate in one committee that control of policies—and I do not know of any place where policies are expressed except in appropriating money to put those

**Mr. TEMPLE.** Let me illustrate that: Suppose you have one Committee on Military Affairs that has no appropriating power, but determines the size of the Army. A proposal is now pending before that committee from the General Staff and administration to create an Army of 509,000 enlisted men and something like 28,000 officers. Now, when we determine the size of the Army we determine the size of the appropriation. Can you put the law-making power into the committee that determines what the appropriation must be without also putting a good deal of the power to fix the appropriation?

**Mr. DAVIS.** No, sir; I would not combine the Military Affairs Committee with the appropriating committee.

**Mr. TEMPLE.** But the Military Affairs Committee makes the law, and in doing so determines what the appropriating committee must appropriate. That is true, because the size of the Army is so fixed that when you fix the policy you fix the appropriation.

**The CHAIRMAN.** Now, Mr. Davis, do you desire to say anything with regard to the procedure after the bill is reported to the House?

**Mr. TEMPLE.** I would like to have some consideration given to the question of policy as separate from the appropriation. As I have said, when you do fix the size of the Army you fix the size of the appropriation, and the same thing is true when you determine the reclamation policy.

**The CHAIRMAN.** I think that question largely answers itself.

**Mr. DAVIS.** You can not combine them together.

**Mr. TEMPLE.** Can you separate the law-making committee from the appropriating committee when the law-making committee really determines the size of the appropriation?

**Mr. DAVIS.** I would not do it in any other sense than it is done now by the rules of the House. There is a rule of the House against putting any kind of legislation on appropriation bills or from putting an appropriation in a legislative bill.

**Mr. TEMPLE.** But when the committee makes the law, it also fixes the amount that must be appropriated in order to put it into effect.

**Mr. DAVIS.** I do not think there has ever been a day in my recollection that the Army has been up to the point authorized by law.

**Mr. TEMPLE.** Except in time of war.

**Mr. DAVIS.** I mean that Congress usually authorizes a larger number of men in the Army than they can secure for it in times of peace, and of course that is true in time of war, too.

**Mr. TEMPLE.** In the case of the Reclamation Service, a committee recommends a law that fixes the activities of the Reclamation Service and the determination of the activities means that money must be expended for them.

**Mr. DAVIS.** Yes, sir.

**Mr. TEMPLE.** And that determines the amount of money.

**Mr. DAVIS.** Congress can refuse to appropriate any year.

**Mr. TEMPLE.** Not the same Congress that passes the law, or that would not be likely.

**Mr. DAVIS.** It was passed 19 years ago, and the same Congress could refuse to appropriate for the same purposes.

**Mr. TEMPLE.** Congress does inconsistent things, but it would not do that.

The CHAIRMAN. The law does not fix any amount to be expended in any one year. That is always fixed by the appropriation for each year.

Mr. TEMPLE. But the law fixes certain work that must be done.

The CHAIRMAN. No; the general law permits certain work to be done.

Mr. TEMPLE. With the intention of having it done.

The CHAIRMAN. In a definite amount each year. The appropriation each year fixes the amount appropriated for each project.

Mr. TEMPLE. But they fix those projects and appropriate for them in conformity with the law.

The CHAIRMAN. But they fix those projects and appropriate for them in conformity with the law.

The CHAIRMAN. The law does not prescribe any particular projects.

Mr. TEMPLE. You would not enact the law unless you intended to do the work.

Mr. DAVIS. I do not believe I can give you anything of value on the procedure in the House of Representatives after the budget has been considered and reported to the House by this committee. Unquestionably the House should give very great weight to the recommendation of the committee, and it would certainly be the hope of the friends of the budget system that changes from the recommendations of this committee which considers the budget and formulates the appropriations would be rarely made—that is, that there would be a sufficiently close relation between those members of the committee and the House they represent that they would be held to strict accountability as to what they would approve. The departments then would be held to such definite accountability as to what they recommended to the committee, that this appropriating committee would not very often make drastic changes, nor would the budget-making body nor the House very often make changes in the recommendations. In other words, this is the most positive and effective way of getting the will of the House of Representatives enforced in the executive departments.

The CHAIRMAN. Have you anything to say with regard to the auditing and control of expenditures after the appropriation has been made?

Mr. DAVIS. I think the control of expenditures should be in the same body that makes up the budget.

The CHAIRMAN. In the executive?

Mr. DAVIS. Yes, sir; after the appropriation is made.

The CHAIRMAN. Why?

Mr. DAVIS. Because they are held responsible and should be held responsible.

The CHAIRMAN. They are held responsible, and they have a departmental or administrative audit, but why should the executive appoint a man as comptroller whom he could remove at will if he did not rule so that he could use appropriations for purposes not authorized by law? Why should the executive, having this machinery you speak of, take away from the law-making body machinery such as exists in the British Parliament under the comptroller and auditor general, whereby the audit and control of accounts is made a check as against extravagant estimates on the part of the executive



Mr. DAVIS. While that is an executive function in the British Government, as I understand it, of course the whole executive department under the British Government is subject to removal instantly by the House of Commons.

The CHAIRMAN. It has elements of executive functions in it, but at the same time they report to Parliament and are considered to be more an arm of the law-making or appropriating body than of the spending body.

Mr. DAVIS. I am not familiar with that.

The CHAIRMAN. You have not given any particular thought to the question of audit and control?

Mr. DAVIS. No, sir; I have not.

The CHAIRMAN. Is there anything further you desire to say?

Mr. DAVIS. No, sir.

The CHAIRMAN. We thank you very much for your statement.

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WEDNESDAY, OCTOBER 1, 1919.

**STATEMENT OF MR. WORCESTER R. WARNER, OF WARNER & SWASEY CO., CLEVELAND, OHIO.**

The CHAIRMAN. Mr. Warner, where do you reside?

Mr. WARNER. My summer home is at Tarrytown, N. Y., and my business home is at Cleveland, Ohio.

The CHAIRMAN. What is your business?

Mr. WARNER. My company is the Warner & Swasey Co., of Cleveland, Ohio, which manufactures machine tools and instruments for the Government. It has been one of the largest telescope manufacturing concerns.

The CHAIRMAN. Are you a member of this engineering commission or council?

Mr. WARNER. No, sir; I am vice president of the Society of Mechanical Engineers, and of the Cleveland Chamber of Commerce.

The CHAIRMAN. Have you given some study to the question of a change in our financial system with regard to making estimates and appropriations?

Mr. WARNER. My only experience in that line has been in regard to our own corporation, which is a small one, and the units involved are so small that I really fear that I can not bring to you the wisdom that you gentlemen desire.

The CHAIRMAN. Do you desire to explain the plan that you have in operation in the conduct of your own business?

Mr. WARNER. That is really what I am speaking of.

The CHAIRMAN. We will be glad to hear you.

Mr. WARNER. Our units are so small that I fear they will not be of interest to you after hearing what these other gentlemen have said. Our corporation is one of \$3,000,000 capital, with \$7,000,000 of production last year.

The CHAIRMAN. What is your plan of making estimates?

Mr. WARNER. We have our executive force and our executive management holding conferences. We have a board to pass on all of those things, and we have that conference of our leading men. The

appropriations are made by those conferences, and are passed upon finally by Mr. Swasey and myself, who are the principals in our company. It is our custom to receive from the works managers their requests for various things—say requests for new machinery requests for steel, for cast iron, and different supplies. We pass upon them in a very elastic manner, because during the war our production had to increase so rapidly from the beginning to the close, that it ran over 400 per cent increase. Therefore, our budget estimates had to be very elastic.

The CHAIRMAN. In normal times do you make estimates for next year?

Mr. WARNER. In production, but not in total expense, because we might increase or diminish, as we might improve facilities.

The CHAIRMAN. You really do not have a system, then, that would be comparable to the financial system of the United States, where appropriations must be made for a whole year?

Mr. WARNER. It does not compare with that in any sense.

The CHAIRMAN. Your plan is so elastic that even though you have made a budget for a part of the year, you can change it or modify it under the powers that have been given you as the head of the concern?

Mr. WARNER. Yes, sir; and indeed we do. For instance, we appropriate so much for steel, and if this steel strike continues, it would not interfere with us for six months or, perhaps, for nine months, because we have quite a quantity on hand. It is the same way with the other positive supplies. As the requests come in, we see what is the safe thing to do and make our appropriations accordingly. Then we may increase them, as we necessarily had to do during the past two years, very materially. The result is that we always have a surplus of money. We never have to borrow money and nobody ever comes to us to collect a bill, because we conduct the business under such a good system that we always have the money on hand.

The CHAIRMAN. Do you report to your board of directors occasionally?

Mr. WARNER. Yes, sir.

The CHAIRMAN. How large a board have you?

Mr. WARNER. Five members only.

The CHAIRMAN. They are all closely interested and work in the concern?

Mr. WARNER. All of them are active there.

The CHAIRMAN. Do you make a report to the stockholders at the end of each year?

Mr. WARNER. Yes, sir; at the end of the year.

The CHAIRMAN. Do you present your budget to them?

Mr. WARNER. The budget is only submitted to the board.

The CHAIRMAN. And the board does not make a report of it to the stockholders?

Mr. WARNER. No, sir.

The CHAIRMAN. They have the authority to act upon it?

Mr. WARNER. The stockholders only have a report annually. It is a close corporation, and all stockholders except a few are our intimates. We have encouraged our men or our leaders to own the stock.

The CHAIRMAN. I take it that under your system, even in normal times, you are given such broad powers that you do not have to pay much attention to the budget that you may have submitted six months or nine months previously?

Mr. WARNER. No, sir; it has been changed and revised all along, as the conditions may have warranted it. I am afraid that I have very little information that will be of value to you in the consideration of your problem. I wish I could be of more service to you, because the system as adapted to our business runs so smoothly that we never have any trouble at all.

The CHAIRMAN. You have not had any of the problems that come before the ordinary administrative officer in the Government service?

Mr. WARNER. No, sir. I am glad to hear your opinion of the cost-plus contract, Mr. Chairman, because I stood out strongly against it. At the beginning of the war we took quite a large contract from the Government, and the War Department urged us to take a cost-plus contract. I stood out against it and told them that it would be impossible for us to introduce such an element of discord as that into our establishment. Under that arrangement the more the thing cost the more we would get, and I protested against it and asked for our contracts straight.

The CHAIRMAN. I am glad to have the opinion of a successful business man on that question, because it has seemed to me that in its practical results it has disturbed the industries of America and the labor of America more than anything else could possibly have done.

Mr. WARNER. I stood out against it. We had during the war about 1,600 men in our own factory and 12 or 15 factories were working for us, and to have introduced any such element as that into our work would have been extremely demoralizing.

Mr. PURNELL. Was it demoralizing to your employees?

Mr. WARNER. It would have been if we had tried it. You could not keep such a thing a secret from your employees. They would learn, of course, that the more a thing cost the more we would get.

The CHAIRMAN. If you had a cost-plus contract on the basis of 5 per cent of the cost, they would know that if a carpenter was paid \$4 per day you would receive a profit of that on 20 cents, whereas if you paid the carpenter \$10 per day you would make a profit of 50 cents?

Mr. WARNER. Yes, sir.

The CHAIRMAN. So that it would be to the interest of both yourself and the carpenter to have the price boosted just as high as possible?

Mr. WARNER. Yes, sir. The basis of any profit in a concern like ours is efficient production, and our aim in everything we do is toward that.

The CHAIRMAN. We thank you very much for your statement.

Mr. WARNER. I wish I could be of more service to you.

WEDNESDAY, OCTOBER 1, 1919

**STATEMENT OF MR. FRANCIS OAKEY, NO. 61 BROADWAY,  
NEW YORK CITY.**

The CHAIRMAN. What is your business or occupation?

Mr. OAKEY. I am a certified public accountant.

The CHAIRMAN. You are now with the Bureau of Efficiency?

Mr. OAKEY. I am consulting accountant for the Bureau of Efficiency.

The CHAIRMAN. Before you became consulting accountant for the bureau where were you employed or engaged?

Mr. OAKEY. I have been practicing public accounting for 12 years.

The CHAIRMAN. Where has been your place of residence?

Mr. OAKEY. New York City.

The CHAIRMAN. Mr. Oakey, have you given any consideration to the question of a change in our laws with regard to making estimates and appropriations for the Government?

Mr. OAKEY. For the past 8 or 10 years I have been doing Government work of various kinds from time to time. I was chief accountant of President Taft's commission on economy and efficiency, and in that capacity during two years' time I investigated the accounting systems of the various departments in Washington, with the exception of the Post Office Department. I was chief of the special investigation staff of the New York customhouse under Collector Mitchell and in that capacity made an investigation of the business methods of the customhouse. After that I was expert accountant to the Isthmian Canal Commission, and in that capacity devised and installed the accounting system for the operation of the canal. I was later chief accountant of the Panama Canal. For two years I was senior accountant for the bureau of municipal research of New York City, and I investigated the budget in New York City and the accounting system there, and also made investigations in most of the large cities of the United States. I was consulting accountant to the Republic of Mexico. I was expert accountant attached to the office of the Commissioner of Internal Revenue and served on the committees that wrote income-tax regulations. I was auditor in chief of the United States Government explosives plants and organized and directed the auditing work of the plant at Charleston, W. Va. At the present time I am consulting accountant for the United States Bureau of Efficiency, for the Institute for Government Research in Washington, for the New York bureau of municipal research, and for the Rochester bureau of

considerable experience in budget work and Government accounting, every budget I ever worked on was, in my opinion, a failure as an instrument of information and, therefore, my experience has taught me more how not to make a budget than how to make one.

The CHAIRMAN. Has your experience led you to arrive at a conclusion—

Mr. OAKLEY (interposing). Yes, sir; I think so.

The CHAIRMAN (continuing). As to how we might make some advance in the way of preparing a budget?

Mr. OAKLEY. I have very definite opinions on that subject. I think there should be some businesslike procedure in the United States Government relating to the authorization of expenditures and the relation of those expenditures to the revenues. In other words, I think that there should be a definite, concrete financial program every year. In order to effect that result, the best system that has been proposed up to date is some sort of budget system. There are various forms of budget systems—the executive budget, the legislative budget, the budget prepared by an administrative board, and the budget prepared by an administrative-legislative board. Those are some of the kinds of budgets suggested. I want to make very clear my opinion of those terms, which I think are only terms, because various meanings have been attached to them. Those that seek to establish the true executive budget seek to take away from Congress certain powers that Congress has. Those that seek to establish a legislative budget do the reverse—attempt to take away from the executive branch certain powers that have been vested in that branch by the Constitution. Therefore, I would like to see any consideration of this subject by your committee abandon, if possible, these terms and ideas and adopt a budget in which both branches of the Government shall play their respective parts. They each have a very definite part to play and each part is very different, in my opinion, and what I should like to see established is a budget in which each branch of the Government would take its full responsibility and play its full part. Therefore, I am not in favor of an executive budget as such or a legislative budget as such or any of the various forms thereof. The executive budget, which takes away from Congress the power to increase the estimates of the executive branch or to introduce new appropriations or new plans for expenditure, is not what is wanted here, in my opinion. It seems to me, although I am not a lawyer, that it is contrary to the Constitution. A budget is a financial plan or program for a definite future fiscal period, setting forth on the one hand the expenditures to be made, and on the other the means that are proposed for financing those expenditures.

In the United States Government there has been very little consideration, according to my observation, of the revenue or financing side of the estimates. It is true that the Secretary of the Treasury prepares an estimate of revenues, but I believe that estimate is a pure guess and is not prepared with the same thoroughness as the estimated expenditures. I wish to bring out clearly that the estimates of revenues and of borrowings are as important in their aspects as the expenditures. As I understand the Constitution, the duties of the two branches are entirely different. It is perfectly obvious, to me, at least, that the Executive must prepare the estimates, since



the Constitution provides that the Executive shall report on the state of the Union, and it is also perfectly obvious that none of the responsibilities for the approval or disapproval of estimates can be taken away from Congress.

Mr. PURNELL. May I interrupt you? I want to get one point clear in mind. Do you say that, in your judgment, it is impossible to have an executive budget without taking away from Congress the rights which it has?

Mr. OAKEY. There have been various forms of executive budgets. I suppose the one in England is the most complete executive budget on account of the fact that the Government, as they call it there, is really responsible to the House of Commons and the budget as prepared is, in effect, a House of Commons proposal before it starts on its way to the House. Furthermore, the lack of power for increasing an item, or introducing a new item, makes it still more an executive budget. Now, that is what I mean when I say that that kind of a budget, in my opinion, can not be established in the United States.

Mr. PURNELL. We have been led to believe here that the first thing of importance in the budgetary legislation is to fix responsibility. If we have an executive budget which fixes the responsibility in the President, if he prepares that budget carefully and submits it to Congress, and Congress, through its rules, permits itself to tear that budget to pieces, then we still have the responsibility, but it has been transferred to Congress.

Mr. OAKEY. I think the two responsibilities are entirely different. I think that the President, or the executive branch of the Government, should formulate a financial program each year and submit it to Congress and take responsibility for it. Then I think that Congress, in doing its part, should take responsibility for any changes that it makes in the proposals that come from the Executive.

Mr. PURNELL. You want to make them jointly responsible to the country for the budget?

Mr. OAKEY. No; I do not want to make them jointly responsible in any sense. I want to make them separately responsible for their separate respective parts. As a matter of fact, each branch of the Government has all the power that it needs, but does not have the machinery to do this thing. In my opinion, what is needed is a legislative budget bureau and also an executive budget bureau of some kind.

Mr. PURNELL. Which branch of the Government do you think the people would hold responsible for appropriations at the present time?

Mr. OAKEY. For appropriations, they hold Congress responsible. I think, but appropriations are not the budget. They are only the medium by which the budget is enacted into law.

Mr. PURNELL. Do you think the Congress or the President is responsible for the budget under our present system?

Mr. OAKEY. Oh, under our present system I do not think the people know who is responsible. There is no means of fixing the responsibility, because under the present system the budget is not gathered together into one document or a collection of documents, and it does not receive the official approval as a whole by the President or his Cabinet. It is a collection of entirely separate proposals, and I do

not see how, under that procedure, the executive branch could be held responsible. When the estimates reach Congress they are again divided, and again there is a divided responsibility, as has been brought out here. What I want to see is one budget which in its first stages shall be a collection of estimates, a financial program prepared by the executive branch, and for which the executive branch will take full responsibility, purely as a proposal.

Mr. BYRNS. Just what do you mean by an executive budget?

Mr. OAKEY. I mean a budget for which the Executive takes the full responsibility.

Mr. BYRNS. I understand that, but you said you wanted to see an executive budget bureau, or a legislative budget bureau established. What do you mean by a legislative bureau?

Mr. OAKEY. I want to see the machinery provided for each branch of the Government by which it can take this responsibility.

Mr. BYRNS. What kind of machine do you think should be established in the executive branch?

Mr. OAKEY. I think you should have a bureau, which need not be a very big one, one of the first duties of which would be to collate and make consistent the estimates that come from the various departments. It is obvious that the estimates have got to be prepared respectively by the various bureaus and departments in the beginning. Then I think they should be gathered together in one whole by some agency under the President, so that the whole thing can be considered by the Cabinet and can be offered to the Congress as the proposal of the Executive. Now, that does not mean by such procedure that any powers shall be taken away from Congress. It simply means that the President will be supplied with the machinery that he needs in order to do this thing.

Mr. TINKHAM. Should that bureau have a power of revision of estimates before submitting them to the President or the Cabinet?

Mr. OAKEY. I think it should have all the power there is in making recommendations and criticizing the recommendations of the departments and giving the President the facts upon which he can judge whether he wants to increase or reduce the estimates before he makes his whole proposal.

Mr. TINKHAM. Of course, the President can not go into any details?

Mr. OAKEY. Of course not. Under the present situation, with the duties that he now has, he must rely on some one to tell him what the facts are, and under the present system he does not have the machinery. I do not think that machinery should be in the Treasury. By habit, custom, or precedent it has been thought by some that the work of revising, collating, and gathering together the estimates should be in the Treasury Department or under the Secretary of the Treasury. Just because it has to do with financial matters does not mean that it should be in the Treasury Department. The main point in my mind is that there should be such an agency. I do not think it is particularly important where Congress places it under the President by law. The expenditure side of the estimates is a subject that the Secretary of the Treasury has no more to do with, except in his own department, than the Secretary of the Interior or any other Secretary. He has a great deal to do with preparing the estimates of revenues. That is one of his functions and it should be continued

so. But why the Secretary of the Treasury should have responsibility for reviewing the estimates of the Secretary of War, we will say, before they go to the President for his final approval, is something that I can not understand.

The CHAIRMAN. Now, after the budget has been thus prepared and approved by the President and transmitted to Congress, then what course do you think it should take?

Mr. OAKLEY. Mr. Chairman, I do not think my opinion on that subject is very valuable to your committee, because I have never made a study of the procedure of the Congress. My experience has been wholly on the accounting or executive side. I feel very strongly that there should be a central consideration of some kind, in the House and in the Senate, of the whole proposal. Now, how that should be worked out I am not competent to say. The thing should not be split up, in my opinion, and one phase of the expenditures considered by one committee and another phase considered by another committee, because under those conditions there will never be a consideration of the financial program as a whole.

Mr. TINKHAM. And that you regard as absolutely essential?

Mr. OAKLEY. Oh, certainly. I am at a loss to say how the Senate or the House could rearrange their machinery in order to do that, because I do not know.

The CHAIRMAN. Have you given any consideration to the third step, and that is the audit and control of the expenditures?

Mr. OAKLEY. Yes. That, again, is a subject that I have done a good deal of work in. I think there should be an officer under Congress, a comptroller general or an auditor general, I do not care what you call him particularly, who should be responsible to Congress and whose duties should be, first, to carry on the auditing work that is now carried on by the Treasury Department.

Mr. PURNELL. How would you have him appointed?

Mr. OAKLEY. I would have him appointed by Congress. There has been a proposal that he should be appointed by the President subject to removal by Congress. I would like to see the auditing work entirely in the jurisdiction of Congress.

Mr. TINKHAM. Should not there be an administrative audit separate from that?

Mr. OAKLEY. There should be an audit in the departments, but I think that audit should be prescribed by the comptroller general, because at the present time every voucher is audited three times, first by the disbursing officer who pays it—and he will not take the responsibility of paying out money for the Government unless he knows the voucher is legal and valid; second, that voucher is given a sort of administrative examination in Washington; third, it is given the Treasury examination under the auditor who has jurisdiction over it. There has never been any attempt to lay out a well-planned, consistent consideration of that document from the time it is presented to the disbursing officer until it is passed by the final auditing officer.

The CHAIRMAN. Then you would not make this auditor general or comptroller general an officer of the United States?

Mr. OAKLEY. If I understand what you mean, I would make him an officer of Congress.

The CHAIRMAN. He would be an official of Congress, and he would change with Congress?

Mr. OAKLEY. That is another question. I think his qualifications should be absolutely rigidly examined and there should be no politics in his appointment.

The CHAIRMAN. But there would be. You could not keep it out if he was simply an officer of the House.

Mr. OAKLEY. I mean that some method should be adopted whereby such an officer should remain in office, and that he could not be removed except by proof of inefficiency or dishonesty. I think he should be appointed on good behavior to serve as long as he did his work, and he should be protected by a hearing before he could be removed.

The CHAIRMAN. Yes, but if he is to serve as a comptroller general and pass on the legality of expenditures under the appropriations, it seems to me he must be more than an officer of Congress. If he is to tell some other official of the Government what he can do and what he can not do, he must be an official of the United States.

Mr. OAKLEY. Why, Mr. Chairman? I do not understand that viewpoint.

The CHAIRMAN. He is sitting in review of the legality of a certain act of Congress, and he has a judicial function to perform. Now, in performing that function, it would seem, if he kept that position in harmony with other offices of the Government, that he would be more than simply an officer of one department of the Government, and that is the legislative branch, but he would be an officer of the United States.

Mr. OAKLEY. Well, I do not consider that the function of auditing is an executive function at all, to start with.

The CHAIRMAN. No; but when it comes to the question of passing upon the legality of expenditures, the functions of the comptroller are a little different from the functions of the auditor. He passes on questions of legality.

Mr. OAKLEY. I understand that is one of his chief functions.

The CHAIRMAN. It seems to me that if he is only an officer of the House of Representatives he could not possibly have the standing that he would have if he was an officer of the United States.

Mr. OAKLEY. Suppose, for example, that all this machinery that is now in the Treasury by which a disbursing officer gets credit—and only through which he can get credit for an expenditure—were in this office, and a voucher that a disbursing officer had to pay could not be credited to his account, and he could not be relieved of that accountability against him until the controller general had approved the voucher. I do not see what more standing the controller general would need than that.

The CHAIRMAN. Of course, the principal objection, if we make him simply an officer of the House or an officer of Congress, is the difficulty standing in the way of his being changed just as all officers of the House and Senate change when there is a change in the political complexion of those two bodies. By the time a man became trained to the duties of the office, a political change in those two bodies would necessarily bring about a change in all of the officers.

Mr. OAKLEY. Mr. Chairman, judges are free from that, to a certain degree.

The CHAIRMAN. But they are not appointed by the Congress.

Mr. OAKLEY. I understand that, but can you not throw around this officer similar protection to that thrown around judges?

The CHAIRMAN. But if he is appointed by joint resolution of the two bodies he can be removed by joint resolution and some one else appointed in his place.

Mr. OAKLEY. He could, but I suppose the law could provide that he could only be removed on account of malfeasance or inefficiency. Then do you not suppose, if he had done his duty that he would have sufficient supporters, and that there are enough men in the House and Senate who would support a man who could prove that he has done his work properly?

Mr. TEMPLE. If he was appointed under authority of law and the law must be passed by both Houses and signed by the President of the United States, he would then become an officer of the United States. If he is appointed by either House of Congress he is appointed by resolution of that House only, which the other House has no control over. I do not think there is any officer at all who is a joint officer of the two Houses.

Mr. OAKLEY. Is not that possible?

Mr. TEMPLE. The Constitution provides that officers of the United States shall be appointed by the President, so that we are limited to that extent, to the provisions of the Constitution.

Mr. OAKLEY. But Congress appoints numerous commissions and investigating bodies from time to time.

The CHAIRMAN. Yes; but they are not officers.

Mr. BYRNS. Could you not arrive at the same object by providing that he should be appointed by the Executive without the confirmation of the Senate and only subject to removal by the joint action of Congress?

Mr. OAKLEY. That may be a way to do it. All I am after is the object that there should be such an officer.

Mr. BYRNS. That would meet the suggestion of the chairman.

Mr. OAKLEY. The object that I am after, Mr. Chairman, is that this officer shall be responsible to Congress.

Mr. TINKHAM. You are familiar with the present audit system in the Treasury Department?

Mr. OAKLEY. Yes, sir.

Mr. TINKHAM. Can you tell us whether each auditor has a different system of audit or whether they are all the same?

Mr. OAKLEY. They are all intended to be the same. As you may know the Comptroller of the United States Treasury supervises their work and they are all doing their work presumably in accordance with the regulations laid down by him and presumably in accordance with the law, because if there is a dispute in any auditing office with respect to an item, it comes to the comptroller and he gives final decision.

Mr. TINKHAM. What do you think of the system? Is it a good system of audit which is established there?

Mr. OAKLEY. Of course, it is only an audit as to law and evidence presented in documentary form. It is not an audit of fact. The Treasury has nothing to do with establishing the facts. They have to accept the facts as shown in documents that come to them.

Mr. TINKHAM. Is that a correct system?

Mr. OAKLEY. That has got to be done. There has got to be an examination for the purpose of finally determining whether an



penditure has been made in accordance with law, and whether the disbursing officer who made it should receive credit for it in his accounts. An administrative audit is not an audit in fact. There again they must accept the facts that come to them from the field. It is only in the field that a real audit can be made. At the present time some of the departments, notably the Post Office Department, are doing that very thing. Now, I think that the field audit, the administrative audit and the Treasury audit should all be coordinated and placed under one authority, as to method but not as to personnel. It would be difficult and probably impracticable to place field inspectors under a comptroller general in Washington. Their methods should be definitely prescribed, I think, by the central officer, so that their work would be one well-planned and coordinated procedure, which is not the fact to-day.

Mr. TEMPLE. Do you find uniform systems in the various departments?

Mr. OAKLEY. Of auditing?

Mr. TEMPLE. And accounting?

Mr. OAKLEY. No, sir. There are as many systems of administrative auditing and accounting as there are departments and bureaus, and that is one of the reasons why there can not be any budget at the present time. I want to make that very clear, that there will never be a budget in the United States unless the accounting systems are brought up to date and made to produce the information that the Executive needs and that Congress needs. If that work was begun now it would not be finished, in my opinion, for two or three years. I think anyone who believes that by passing a law or taking any similar procedure a budget can be established without revising the accounting system of the United States is not informed of the situation.

Mr. TEMPLE. It is sometimes said that there is a lack of uniformity in the system. Do you think there should be greater uniformity?

Mr. OAKLEY. I think there should be greater uniformity in regard to accounting for appropriations, funds, and allotments, reservations, etc. In respect to the analysis of expenditures and accounting for expenditures at the present time I will venture to say that there is no department that produces an analysis of expenditures in such form that it will convey all the information that Congress wants or that the Executive wants as to the justification of the expenditures that have been made. I was going to suggest the second function of this central auditing officer, which would be to prescribe the methods of accounting, which would include the analysis of the expenditures to be made and the analysis of the revenues. When I was chief accountant under President Taft's commission in every system that we revised we were required by law to present all new forms to the comptroller. I found that half of the forms that I submitted the comptroller declined to approve because he said he had nothing to do with them. For example, he would not consider the forms for analysis of revenues, expenditures, etc. He would only approve vouchers, accounts current, etc. Then the third function of the comptroller, I think, should be to investigate and report to Congress in two ways. First, on the estimates for the future fiscal period when they come from the executive branch, he should accumulate such facts as are necessary to give an intelligent opinion to Congress

as to whether a procedure or an expenditure is justifiable. Then there is another line of investigation that I think he should follow. and that is to determine currently throughout the year whether the financial program that has been enacted into law by Congress is being carried out. At the present time there are instances of departure from the intention that Congress had in mind, and it is difficult in some cases for Congress to get that information without making an extensive investigation into a department. By such powers the comptroller could tell the committee and Congress whether a proposed increase was justifiable.

Mr. TEMPLE. Mr. Oakey, at that point, is that one of your chief reasons for thinking that this audit system ought to be under the control of Congress, rather than under the control of any other authority?

Mr. OAKEY. Yes; I think that the auditing work and the investigation work that I have outlined are more or less inseparable, that by the process of auditing a large amount of facts are obtained relating to this subject of the justification of expenditures, and if you separate the auditing from the investigating you are going to have duplication of effort. I think that auditing is not an executive function at all. I would not have the comptroller in charge of the keeping of the account—to make myself clear, the bookkeeping itself. The actual making of entries in books is an executive matter. but I would give him a power to examine those entries. That is auditing. The two things are entirely distinct and separate. One is an executive function and the other is, I think, largely a legislative function.

Mr. TEMPLE. To see whether the accounts furnish evidence that the politics fixed in the law have actually been carried out?

Mr. OAKEY. Yes. That is merely a method of determining the very things that the appropriating committees now attempt to discover by ex parte evidence. It is investigating first-hand the methods that this committee tries to investigate in this room. Is not that so?

Mr. TEMPLE. Yes.

Mr. OAKEY. It is nothing more than an extension of these inquiries that the Appropriations Committee attempts to make without going into the departments. The Appropriations Committee has not the time to go into the departments and therefore I think they should have an agency to do that for them.

Mr. TEMPLE. You mean such investigations as are made by the various expenditure committees when they do make investigations?

Mr. OAKEY. Yes. This comptroller or executive officer should make any investigation that the committee suggests. The budget being a financial program, it is essential that the accounting system should be consistent therewith, and therefore that is another reason for placing in the hands of the comptroller general the power of prescribing the methods for accounting. I mean to say that if we are to produce intelligent estimates of revenues and of expenditures, they have got to be produced from accounts and from statistics. If the comptroller is doing the auditing and making the investigation, he has also got to prescribe the methods of accounting so as to get what Congress wants. Therefore I think it ought to be all under one officer who is responsible primarily to Congress. In prescribing

methods of accounting I do not think that the comptroller general should disregard the needs of the executive in respect to information that is needed in his work. It so happens that sometimes the executive needs different kinds of information from what Congress needs in respect to expenditures. While his first duty should be to see that accounts are kept in such a way that they will produce the information that Congress has got to have, the comptroller general should not overlook the executive's needs for information. The investigation by the comptroller general is a very large undertaking, and in order to do it intelligently he would need a large staff of trained experts in various professional lines, accountants, engineers, and physicians and various kinds of scientific assistants. I think it is important for the committee to consider just what all these proposals mean. It is going to cost something to make these investigations. It is going to cost something to revise the system of accounting, but in my opinion there will never be a budget until those two things are done; that is, a budget in the sense to which I refer. There will never be a budget until the accounting systems are revised. That has got to be done. Nor will there be a real budget until some on-the-ground investigations are made to supplement the inquiries that are now made by the Appropriations Committee.

The CHAIRMAN. The auditor or comptroller general, whatever you call him, would have authority, of course, to put into effect a uniform accounting system in every department of the Government?

Mr. OAKLEY. That is what I mean. Something was said about lump-sum appropriations this morning. Reference was made to the \$4,000,000 appropriation for additional services in the War Department. It is true, in my opinion, that there are unnecessary clerks being paid out of that appropriation, and probably a great number of them. They are all working on something, but there again the trouble is not that they are sitting there doing nothing but that many of them are working on something that is futile.

The CHAIRMAN. Some are working with a typewriter and some are working with knitting needles and crocheting needles. I have seen them myself.

Mr. OAKLEY. But the trouble there, Mr. Chairman, is an unbusiness-like procedure and an ineffective accounting system, trying to get a result when the result may be of little value. The information that they are producing in their accounting may be of little value. I do not know. I have not gotten to a point where I could give an opinion on that. But I am satisfied that they are doing a great deal of unnecessary work. I will give you an illustration: I did go into the section that audits the property accounts of the Army and there I found that in the ordnance division of that section they were checking up returns that included the fixed property of the ordnance department. For example, the ordnance officer who is in charge of a building is required by the instructions of the Chief of Ordnance to make up a return for that building showing everything that is in it, movable or not, and on that return he shows the heating apparatus, the ventilating system, the lighting system, the wiring, and everything. That return comes in to Washington and it is checked up to see that it is consistent with the last return and that nobody has gone away with the lighting system or the heating system, which you

would have to tear down the building to remove. There are clerks working on that sort of thing. I saw that myself. I have not finished my inquiries there and I have no doubt that there are similar operations going on that are just as futile.

The CHAIRMAN. In order to keep the clerks I assume that they would revise their rules so as to require this information to be furnished monthly, if necessary, and then weekly, and perhaps daily.

Mr. OAKLEY. The Panama Canal was built with approximately 16 appropriations and those were lump-sum appropriations to a large extent. For instance, there was a large appropriation for materials. That may be one case in which lump-sum appropriations effected their purpose, but I am not in favor of lump-sum appropriations. I am also opposed in general to making appropriations according to functions. In New York City, for instance, the budget was established so that it was made a functional budget—that is, appropriations were made in great detail according to functions. The result of that was an impracticable situation. For example, a steamfitter who was to be paid out of an appropriation for constructing waterworks happened to be near where a main burst, which could only be mended by a disbursement out of an appropriation for maintenance. That particular steamfitter had to stand and watch that thing burst because he was not allowed to do anything about it. Now, that is what the functional budget leads to. That is the extent to which New York City carried it, and they have since found it impracticable and abandoned it. The budget they now have does not include such defects.

In connection with the budget there is a need for standardization of salaries, grades, and positions. That is the work that is now being attempted by a commission, as I understand it. That work is not such as can be done once and finished by any commission in six months' time or a year's time. It is a continuous job, just the same as the revision of the accounting system is a continuous job. The initial job is big, but after the initial job has been done refinements and improvements and amendments have got to be made. There is no commission or agency that is able to do that job and turn over a product that will remain. Therefore I think that if a central agency is established under a comptroller general it might be well to consider whether such an agency should be given the power and machinery for carrying on the establishment and maintenance of standard grades of employment and specifications for those grades.

Reference was made to the Reclamation Service and its efficiency. I investigated that service in 1912 and I subscribe entirely to the opinion that it is highly efficient. One of the reasons that it is highly efficient is that it has a highly effective accounting system. The officers of that agency could not direct their work the way they do unless they had the facts that they do have, and they have the facts because they have an effective cost system of every project and an effective system of general accounts in the office here in Washington. The need for such accounting system applies to perhaps every other bureau in the Government.

The information that should be presented in the budget is important. Your committee is obviously considering whether we shall have a budget, whether we shall attempt to install such a thing. It seems to me that it would be of interest to you to know what sort of financial statements a budget should contain. I have prepared suc-



statements for States, but on account of being called so suddenly I have not had time to prepare similar statements suitable for the United States Government. If you desire I should be glad to do that and submit them to you. For example, there should be just one statement on a piece of paper just as big as that [indicating], or smaller perhaps, which should show a summary of the financial program for the ensuing fiscal year. That statement should show, first, on the one side the estimated expenditures, and on the other side the proposed means for financing those expenditures in summary totals. It should show, first, the current expenses and fixed charges; and second, the capital outlays for acquisition of property; and third, the requirements for redemption of debt falling due the next year; and on the other side it should show the estimated revenues and the amount of unexpended resources remaining the previous year, and finally the amount to be raised by borrowing, if any. Such a statement is merely a summary to indicate the general program, the general points, the significant relationships between current expenses and revenue, whether the Government is living within its means in respect to current operating expenses, the relation between capital outlays for the acquisition of property and what proportion of them shall be financed out of the current revenues and what proportion by borrowing.

Of course, that statement should be only a summary and it should be supported by documents in complete detail showing the estimated expenditures classified by the various departments and subclassified by their activities and bureaus. There should be a complete detailed statement of estimated revenues. I would eliminate from such a set of documents all irrelevant matter. A great deal of irrelevant matter has been inserted in State and city budgets, and by that I mean balance sheets, surplus accounts, etc. Such statements mean nothing in a budget which relates only to revenues, expenditures, and borrowings. In other words, it relates only to the plans for the future fiscal year. There is no such thing as a financial statement or balance sheet of the United States Government. It is true that we have a daily Treasury statement which shows the cash position of the Treasury and the balance in the general fund, but to attempt to bring together the assets and liabilities of the United States Government into a balance sheet is simply confusing. If a budget is to be understandable it has got to be simple in form and free from technicalities as far as possible so that everybody can comprehend it. Although I am an accountant I am opposed to introducing in this document or in any statement it contains any accounting technique or terminology. It should be just as simple and expressed in as common language as it is possible to make it. It is true that in certain classes of expenditures technical classifications have to be made but those are only particular instances. There should be in the budget, for example, a statement of the public debt which would show the amount of the public debt to be redeemed in future years, and I mean by the debt, every issue of debt, whether it falls due next year or 30 years from now. This statement should show also the amount that must be provided from other resources than a sinking fund, where no sinking fund has been established. There should be a statement which would show the effect upon redemption requirements of any issues of loans for the next year.



I do not think any issues of loans should be made until Congress had considered, first—in the year in which that loan falls due what will be the total amount to be redeemed that year—how much of a burden are we going to place 30 years hence on the United States for redeeming that loan, and also, what is the effect of the interest charge for the loan every year until it is redeemed? Then there should be a statement showing the requirements of sinking-fund installments where a sinking fund has been established. In other words, if we issue this loan and we provide a sinking fund, how much should be set aside each year and what effect is that going to have not only on this budget but on all succeeding budgets. Furthermore, there should be a statement showing the condition of every sinking fund and its relation to the debt it is established to redeem, and information to show whether if that sinking fund is continued at the present rate of increment it will be sufficient at maturity to redeem the debt to which it relates or whether at that date other resources will have to be used to redeem it. We have a sinking-fund law in the United States, and I refer to the old law, that has never been operative. It was originally established to set aside, I believe 1 per cent of the customs revenues. There is a statement relating to that in the annual report of the Secretary of the Treasury, but there is not a dollar in that fund now, to my knowledge. There should be a complete statement as to all proposed capital outlays showing all the details of their purposes and their capacity, the capacity of the properties that may be acquired. The cost is important but is not an index of the value of the permanent property. It is only important in connection with showing what it is going to cost to acquire it.

The important fact is, what added capacity will the United States attain by building a new arsenal, or a new post office—the answer should be in the budget. Then I think there should be a statement showing the proposed expenditures under the appropriations. We have numerous appropriations which do not lapse at the end of the fiscal year and in which balances remain which can be used to continue the activity for the next year. That information should be presented, together with the estimates for additional funds, to show exactly how much additional authorization is needed in order to continue the activities. In other words, if it was estimated to cost \$100,000 to continue a certain activity, the total for the year, we ought to know, first, how much remains in the old appropriation relating to that activity. If there is a remainder of \$25,000 it is obvious that the only additional amount they need is \$75,000, and what remains of that appropriation is not only the cash balance in the Treasury undrawn, less outstanding executed contracts that must be paid, but also it may be that an accumulation of stores has been acquired which has not been applied to the final purpose for which the appropriation was made, and those stores are available as a resource to carry on that particular work. I do not know whether the fact is submitted to the Appropriations Committee. If a department has \$10,000 worth of useful stores, do they make that known to the committee?

Mr. TEMPLE. That usually comes out in the examination of the persons who appear before the committee.

Mr. OAKLEY. And that affects the determination of how much money you give them?

Mr. TEMPLE. Yes.

Mr. Oakey. I think that is all I have to say, Mr. Chairman, unless you wish to ask me some questions.

Mr. Temple. I have no further questions.

Mr. Oakey. If you want pro forma statements I should be glad to send them to you. I do not know whether they would be of interest to you or not.

Mr. Temple. I think that arrangement ought to be made with Mr. Good. We are very much obliged to you, Mr. Oakey, for your statement.

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WEDNESDAY, OCTOBER 1, 1919.

**STATEMENT OF MR. THOMAS R. LILL.**

Mr. Good. Mr. Lill, you are connected with the Bureau of Efficiency are you?

Mr. Lill. I am a consulting accountant of the bureau at this time.

Mr. Good. How long have you been occupying that position?

Mr. Lill. I am a certified accountant in business, in active practice in New York City. This is one of the activities upon which I am engaged at present.

Mr. Good. Will you state what your experience has been in the way of accounting?

Mr. Lill. I first started in 1899. I enlisted in the Army, and then I went into the civil service in the Philippines just before Gov. Taft went in. I was in the auditing branch there, examiner of accounts, and chief of section; became district auditor, and came back in 1899, and did a lot of corporation work here, with Haskins & Sells; secured my degree and also did a good deal of Government work both for Haskins & Sells and for the New York Bureau of Research, and for myself.

For the last 6 or 7 years a great deal of my time has been spent on Government work, including accounting and budget work for cities, and in 1917 I went down to Mexico City with Mr. Bruere, and became a member of President Carranza's Financial and Administrative Reorganization Commission, chief accountant and acting director, for over a year. We did down there practically about what we are now trying to do here. We made recommendations for a purchasing agent, controller general, a revised budget system, and some of these recommendations—practically all of them—have been carried out.

I returned in June, 1918, and went back again in October, 1918, and came back in January of this year.

Now, If I give you a description, of what we did down there, I think it will explain to a very large extent what I think we ought to do here. I think it could be worked out.

Mr. Good. We will be very glad to hear you along those lines.

Mr. Lill. Before I explain what that commission was, I think that I ought to say that I started on the lump-sum budget and passed through the regular legislative budget, the functional budget, and gradually got back to much the same point that Mr. Oakey expressed.

This commission in Mexico was composed of four cabinet members, Mr. Henry Bruere, and myself. Mr. Bruere was formerly chamberlain of New York City.

It seemed to us shortly after we got there that we needed a change in the accounting system, and we proposed a reorganization of the treasury. The accounting at that time was under the treasury, as it is here. Some time, two or three months later, after more study had been given to the subject, it appeared that we ought to have a controller general appointed independently of the treasury. That matter was discussed and authorized by Congress, then the law was written and passed, and was signed by President Carranza on January 18.

I would like to submit a copy of that, Mr. Chairman, as a part of the record. That represents more or less my idea of what a controller general should be and what his authority and power should be.

Mr. GOOD. Just what is this document that you have handed me?

Mr. LILL. That is the law that was prepared by me for the organization of the controller general of the Republic of Mexico.

Mr. GOOD. Was it adopted?

Mr. LILL. Yes, sir; it was adopted and was put in force.

Mr. GOOD. When was it adopted?

Mr. LILL. It was adopted January 18, 1918, by President Carranza.

Mr. GOOD. And they have been working under that ever since?

Mr. LILL. Yes, sir. In preparing my original draft it was proposed that the controller would be appointed by the president upon the consent of Congress. I would like to make that very clear, that I do not propose this for our Government. When that matter was taken up Mr. Carranza said that he did not want that; he wanted the controller responsible to him direct without any outside interference, which is the reason why that change was made, and that opening paragraph was put in there defining how the controller shall be appointed.

Mr. GOOD. Does this law simply refer to the controller?

Mr. LILL. The controller general; yes, sir.

Mr. GOOD. It does not provide for initiation of the budget?

Mr. LILL. No, sir. I was getting into the budget from this. We worked over this first, and then got into the budget—the second step.

Mr. GOOD. Yes.

Mr. LILL. But, continuing what I was saying, the situation in Mexico was radically different from what it is here. That is, President Carranza wanted economy in the Government; Congress did not care particularly. So that he wanted the machinery to get economy. The situation appears to be reversed in Washington, and I would be very strongly of the opinion that the controller general should be appointed by the President with the approval or consent of Congress, to be removed only by Congress.

After that law was passed, the next step which it appeared we should take was in connection with the budget. The Mexican Congress had passed a budget for the year 1918 amounting to 187,000,000 pesos. That was considerably over the amount of revenue which the Government had at its command at that time. We submitted blue prints to President Carranza in January, 1918, for a monthly budget and allotment system which was adopted by Mr. Carranza. I do not know that this is necessary for the record, but it might interest you as a very practical means of securing economies [indicating table]. In that first column we set up the amount of the budget which was authorized by Congress.

The second column represents the amount of the budget which will have to be paid in cash, which is due to the fact that employees were receiving 75 per cent of their salaries authorized in the budget.

The third column represents the monthly proportion.

You will notice there that that budget was analyzed to show salaries, necessary expenses, and postponable expenses.

Then each head of a department had to submit to the President a request for funds to run his department for the succeeding month. That is inserted in that first blank column. The amount granted by the President was in the next to the last column, and the economy was in the last.

That monthly budget, without any specification whatever regarding the numbers of clerks, or any details, resulted in cutting the budget in Mexico from \$16,500,000 to \$10,500,000 a month.

Now, the general budget system was very good in Mexico. The departmental estimates were prepared and submitted to the secretary of the treasury, and he submitted them to Congress. No change was made in that; and I am in favor of that; that is the procedure which I think should be followed here.

Mr. GOOD. Having the Secretary of the Treasury transmit the estimates?

Mr. LILL. Yes, sir.

Mr. GOOD. Who will prepare the estimates?

Mr. LILL. The departments.

Mr. GOOD. And transmit them to the Secretary of the Treasury?

Mr. LILL. Yes.

Mr. GOOD. Would you have him authorized to reduce or increase, or modify and change?

Mr. LILL. Well, that worked out in practice very satisfactorily. I know I worked on the departmental estimates down there. The Secretary of the Treasury would not take drastic action regarding the affairs of any department, but if a new activity was to be taken up the department would first come up to the Secretary of the Treasury.

Mr. GOOD. Now, take our Treasury Department, at present it employs over 31,000 employees. It has a division of bookkeeping and warrants, a division of customs, a division of loans and currency, a division of public monies, a division of secret service, a Commissioner of Internal Revenue, Director of the Mint, the auditors for the departments, the Register of the Treasury, Federal Farm Loans, the Bureau of Printing and Engraving, the Bureau of Public Health Service, the Coast Guards, the Office of the Supervising Architect, the Bureau of War Risk Insurance, and the General Supply Committee. All of these divisions—and they are big divisions—are under the direct charge of the Secretary of the Treasury. Who is going to supervise him and the departments under him; and will not the other Cabinet members say immediately, "You are asking for efficiency in our department. It has more efficiency now than the bureaus that are directly under you"; and so start that jealousy that too often does exist between Cabinet members? And that will not result in the doing of the thing that everybody, I am sure, wants to accomplish.

Mr. LILL. I do not think that the Secretary of the Treasury or any other department that was given the duty of preparing a budget

could intelligently go into another man's department and say, "You are spending too much money. Cut it down." If you had a budget investigation branch attached to the executive, what would the effect of that be? It would be largely to take away the executive control which the head of the department exercises over the department, and trying to manage his department indirectly by another organization.

Mr. GOOD. Take the Public Health Service; that is under the Secretary of the Treasury.

Mr. LILL. May I continue on the auditor?

Mr. GOOD. Yes.

Mr. LILL. I am a firm believer in taking away a great many of the functions of the Secretary of the Treasury, but because he has a great many functions at the present time that do not belong to him, is no reason for keeping away from him the one big function that properly belongs to him.

Mr. GOOD. Yes; but now take the Public Health Service. We have the same kind of service in several of the other departments. I use that for one of the illustrations. Of course the Secretary of the Treasury will say, "We will retain that service in the Treasury Department and will abolish it in all of the other departments"; and so in every case where he finds an overlap—and he will find them in every department of the Government—he will say, "Well, you cut out this duplication. The Treasury Department will continue to perform that service." Can you not see where that is going to lead in the way of jealousies on the part of the other Cabinet members?

Mr. LILL. I do not suppose for a minute that the Secretary of the Treasury would tell the heads of the other departments what they are to have and what they are not to have. He is to prepare the budget; I mean, to secure the estimates and tabulate them and prepare the summary for Congress and submit it to Congress as the report of the executive branch of the Government.

Mr. GOOD. He does that now. Then you would not change the present plan to any great extent?

Mr. LILL. Not to any extent. I saw your bill. In some article about your bill the phrase was used that the responsibility should be placed where it belonged, upon the President. I fail to understand how the responsibility of the President for the acts of the Secretary of the Treasury can be divorced.

Mr. GOOD. In a broad way the President is responsible for the acts of every Cabinet member.

Mr. LILL. And I think, as a matter of fact now, sir, the President signs the departmental estimates before they go to the Secretary of the Treasury for tabulation. I have been so advised. There is no law to that effect, but he has done so. If it is not clear in the mind of the public who is responsible for the budget, that is a different problem, it seems to me, that could be very easily fixed. But the Secretary of the Treasury, by the very nature of his duties, it seems to me, is the man best qualified in any case to prepare the budget and transmit it to Congress, because he is responsible more or less for the financial policy of the Government, and he represents the President in that particular field.

I would, of course, have this budget bureau, or a proper personnel in the Secretary of the Treasury's office, to do the work properly.



When the bill comes before Congress, it seems to me that it should be handled by one committee, one central committee, with a large number of subcommittees reporting to it, possibly to the extent that each department or bureau of the Government would have say, three Members of Congress who could know the activities of that particular organization, of that unit, and could keep informed regarding it at all times. Those subcommittees would give all the investigation which I think Congress could get.

Mr. GOOD. How large would you have a committee of the Congress?

Mr. LILL. I do not know, sir. I do not know enough about the work of the committees to make any suggestion along that line.

Mr. GOOD. You think that it is important that the budget when submitted to Congress should be presented in one document and be acted upon at the same time?

Mr. LILL. Yes, sir; and the executive departments should come before the country with a definite statement as to how much money they proposed to spend for the current operation of the succeeding year; and after it reaches the House it should be broken up and given to these subcommittees which would report to the general committee. It seems important to me, for any genuine reform, to have one document enacted by Congress which shall state how much money is to be required to run the Government. But with that there is not much chance of getting an effective budget unless you pass this other bill which you suggested, providing for a comptroller general to take over the accounting and make your budget effective. Now, this Mexican budget was absolutely impossible without a comptroller general. We put on the books the amount the President authorized the department head to spend and when the department head had used that much money he was stopped, and he did not get any more money. We had a very effective control.

Mr. GOOD. Then you regard the change in the law and the way of providing for a more effective control and audit of the accounts as of more importance, I take it, than the mere making of a budget in the first instance; that is, the changes in the present law with regard to making the budget?

Mr. LILL. Yes, sir; I think there can be no question about the fact that accurate, quick information about what a department is doing is of a whole lot more value than a year-ahead opinion as to what it proposes to do. Suppose all these committees, for instance, had statements by the 25th of the following month of their expenditures and their operations. Do you not think that would give pretty effective control?

Mr. GOOD. It unquestionably would. Did you describe the manner in which he should be appointed, and his tenure of office?

Mr. LILL. Limontour, the famous finance minister of Mexico, reorganized the accounting and budget system in 1910. They had a chief of the accounting branch under the treasury similar to our auditing branch here. Congress was not satisfied with that work. It organized its own auditing branch which cost them about \$300,000. In presenting my bill to President Carranza it was my idea that having the controller general appointed by the President with the consent of Congress would make this officer and his work satisfactory to both branches of the Government. That reform was not accepted by President Carranza at the time, for political reasons, and the

Mexican Congress still has its own accounting branch which is spending \$300,000 a year, but is doing absolutely nothing of any value.

Mr. GOOD. Does it duplicate the work that the controller already does?

Mr. LILL. To a certain extent; but the executive branch of the Government completely audits the accounts, prepares all the financial statements, and it, of course, can not prepare a financial statement until the close of the year, so that all this work takes perhaps six to nine months or a year to complete in the executive branch of the Government; and then it goes to Congress, and it takes Congress another year, so that by the time the report is out it takes two or three years, and that money is just thrown away.

Following that thought, I think this same thing would be very effective here, to have a controller general appointed by the President, which I understand is required by the Constitution to be upon the advice and consent of Congress, and to be removed only by Congress. I think that would give the kind of an organization that we ought to have, provided that this officer has the necessary power to coordinate all the accounting and auditing and to do a large number of the things which I have specified in the Mexican bill. That is, he does all of the accounting of the Government, and has jurisdiction over it. He prescribes the method of accounting to be used. He also has the power to investigate any department or bureau of the Government for the express purpose, I think it is stated, of determining whether their business methods are efficient, and whether it is possible to make any savings there for the next year's budget.

When President Carranza wanted any information about a department, regarding whether they needed any money or whether they could cut down, the controller was a very effective agent to get that information, both from the accounts and from the fact that he had his investigating branch constantly at work among these departments. I think that answers your question.

Mr. GOOD. And what authority would you give this accounting officer in the way of disallowing claims that were legal but the disallowance of which was based on the theory that they were not necessary?

Mr. LILL. None, sir, whatever. You can not do that.

Mr. GOOD. Would you give them any power of disallowing claims that were not authorized by law and were not therefore legal claims?

Mr. LILL. Yes; but you can not give a man any power to disallow an expenditure which has been made by an officer of the Government, on the ground that it is not necessary. You have got to pay it. And it is useless to try to get it back from the officer paying it. I gave the power to this controller to report upon that class of expenditures, to executive officers, and he could report it to Congress if he chose. I think it is provided he should report to both. He did that. This is one reason why he did that. For instance, there was a charge for six spittoons for \$150 for the War Department. That was taken up and the officer who bought them was reprimanded.

Mr. GOOD. I understand your proposal, it is this: That the estimates for expenditures shall originate in the various departments of the Government?

Mr. LILL. Yes, sir.

Mr. GOOD. The estimates shall be submitted to the Secretary of the Treasury?

Mr. LILL. Yes, sir.

Mr. GOOD. Who shall have power to revise them?

Mr. LILL. No; I will not go that far.

Mr. GOOD. Who shall not have power to revise them?

Mr. LILL. No, sir.

Mr. GOOD. And he shall transmit the budget to Congress as is done under the present law?

Mr. LILL. Yes, sir.

Mr. GOOD. When the budget reaches Congress it is to be treated there by a single committee of the House?

Mr. LILL. Yes.

Mr. GOOD. Hearings will be had upon it, as I understand?

Mr. LILL. Yes, sir.

Mr. GOOD. And then it will be acted upon at the same time, as one bill, by the House?

Mr. LILL. The final vote should be had upon it as one bill.

Mr. GOOD. And then the creation of a new office of auditor or comptroller general, with the powers of audit, and the present power of the Comptroller of the Treasury?

Mr. LILL. Yes.

Mr. GOOD. Do you care to say anything further on that?

Mr. LILL. Well, I would like to say, Mr. Chairman, as far as possible I am very much in favor of a form of lump-sum budget rather than of a segregated budget or a detailed budget, as we have now. Our experience has been that the latter is about the most extravagant and wasteful method of making appropriations. I have been listening here all day, and I do not mean by a lump-sum budget that you should give a man so much money to spend and turn him loose; but we had practically, in early days, under Mr. Taft—and I think Mr. Root prescribed it—a budget system which detailed the various activities of a department, and then at the conclusion stated the amount allowed in a lump sum. The appropriation was made for only that much money, and the department head had to follow the instructions contained in the appropriation act as passed. I do not remember whether he had any authority to transfer items from one appropriation to another within his department, but in other places I have recommended that this be allowed with certain restrictions.

Referring to a question that has been discussed several times this afternoon about the transfer of funds, it seemed to me that if one sum was given to a department head with restrictions as to how he was to spend it, that the project might safely be initiated of allowing transfers between items upon the approval of this subcommittee of the Appropriations Committee—they would be in touch with the matter at all times. I have seen it so often happen; the department head would say, "Mr. Lill, I have cut down my force and have 20 vacancies in the \$1,200 men. I can not appoint anybody in the \$1,400 or \$1,600 class, because those places are all filled up. If I can appoint a \$1,600 man, I will save \$22,000, but I can not do it."

Mr. GOOD. The usual case in the United States is that a man will get an appropriation for a \$1,200 man, and then he wants a \$2,400 man. When he gets the \$2,400 man, the next year he wants to raise his salary to \$3,000 out the way things jump here.

Mr. LILL. Well, of course, we cover that quite fully in this comptroller general, and also by allowing the comptroller general to report upon that feature.

Mr. GOOD. I will be very glad to have this document filed with the committee.

Mr. LILL. Very well, sir.

I only wish to add, Mr. Chairman, that it seems to be very clear that there will be no effective budget system until we get an effective accounting system, and it might perhaps be stated that it ought to work that way.

Mr. BYRNS. Really the sum total of your recommendations is this: that we should have an efficient force to audit the accounts of expenditures? In other words, you would make no particular change with respect to the manner in which estimates are submitted now and acted upon by Congress?

Mr. LILL. Well, you say, "acted upon by Congress"; I think there would be quite a change. I want it done by one committee instead of being broken up among the various committees; and there certainly ought to be a subcommittee charged with the supervision of the expenditures of these various departments of the Government so that these committees will always know what these various departments are doing, and there shall be action upon the recommendations in committee, or perhaps on the floor of the House.

Mr. BYRNS. We have now committees on expenditures in the various departments, five or six of them, I think, but they do not function very well.

Mr. LILL. They could be made to function.

Mr. BYRNS. You would have this expenditures committee made up from the appropriating committees?

Mr. LILL. Yes, sir. There would be subcommittees of the Appropriations Committee, so that when a budget came in, the estimate of the Treasury Department, for instance, could be referred to the Subcommittee on the Treasury, and be reported back to the general committee.

Mr. TEMPLE. Not as a reviewing committee, as I understand, like the expenditures committees, but instead of the present appropriating committee, that would be done by subcommittees of the general appropriations committee; is that it?

Mr. LILL. Yes. I think that is all, Mr. Chairman.

Mr. GOOD. The committee is obliged to you for your statement.

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WEDNESDAY, OCTOBER 1, 1919.

#### STATEMENT OF MR. HERBERT S. WOOD, ACCOUNTANT.

Mr. GOOD. Mr. Wood, you may state for the information of the committee and of those who will have access to the hearings, what your business is, and what your experience has been.

Mr. WOOD. I am a practicing accountant at present. I have been in the Government service for about 20 years. The principal experience that has brought me in touch with the budget problem was my work as accountant in the President's Commission on

Economy and Efficiency, where I had charge of the preparation of the estimates of expenditures and the reports that supported the expenditures. Later I was assistant chief of the United States Bureau of Efficiency, where I worked in a number of the executive departments installing accounting systems.

Mr. GOOD. Have you given any thought to the question of necessary legislation for the adoption of an effective budget system in the United States?

Mr. WOOD. I have given considerable thought to that question.

Mr. GOOD. Have you arrived at any definite ideas as to what should be done?

Mr. WOOD. The idea I should emphasize most is that progress toward budget legislation has been hindered by efforts to restrict the powers of one branch of the Government or the other, or to change the powers of the different branches of the Government, more than by any one other thing. My observation of the executive departments and of the Congress leads me to believe that usually the usurpation of power by one branch or the other or the exercise of more power by one branch of the Government than the other is a minor evil. The chief evil is the avoidance of responsibility and the failure to exercise promptly and with full information the powers that the various branches of the Government now have. It seems to me the committee would be wise at present to urge no substantial change in the duties of the two branches of the Government. The executive branch now prepares estimates and submits proposals for expenditures to Congress, and Congress now acts on those estimates, exercising power to revise the amounts. It would seem to me unwise to make any change in those fundamental powers.

On the other hand, it seems advisable that both branches of the Government should have means of exercising more potently the power that they now possess. I should recommend the giving to the President some agency, and I think it wise to keep it out of any expending department—a corps of men who will study and correlate the present proposals submitted by the various executive departments; in other words, a central organization that will study the budget and study the work of the departments. It seems to me further that the Congress, for the exercise of its present functions, is not without the need of more expert assistance than it can at present command.

Mr. GOOD. If you would do that, which would give the President this agency that you speak of, then you would change the law so as to require the President to send in the budget instead of the Secretary?

Mr. WOOD. He now has the power. Under the Constitution he may report on the state of the Union, or submit recommendations.

Mr. GOOD. No; at present it seems to be there is a very unbusinesslike and unnatural requirement. Under the law each executive department must on or before the 15th of October of each year submit to the Secretary of the Treasury an estimate of the requirements of expenditures of that department for the next year. The Secretary then arranges——

Mr. WOOD. As a clerk, practically.

Mr. GOOD (continuing). So that they can be divided into the bills, etc., and sends to Congress the Book of Estimates.

Mr. WOOD. Yes.



Mr. GOOD. Then under the provisions of the act of March 4, 1909, if the estimates of expenditures exceed the estimates of revenues, he shall also submit them to the President.

Mr. WOOD. Yes.

Mr. GOOD. Who may inform Congress of any reductions or modifications, or of any new tax or bond sale, or things of that kind.

The evil of that is that if the President should find that the estimates of expenditures exceed the estimates of revenue, if he does anything effectual he slaps every Cabinet officer in the face by sending in an estimate different from the one which that Cabinet officer has sent in.

Mr. WOOD. Yes.

Mr. GOOD. So that, because of that very vital defect, the President never has acted and never will act.

Mr. WOOD. He could be made to act by the pressure of public opinion if Congress specifically gave him the particular means for doing so.

Mr. GOOD. But if he did that, Congress would have two estimates when it only wants one. It would have two half-baked estimates when it wants the machinery to bring about one thoroughly digested estimate.

Mr. WOOD. As I understand it, the President as head of the executive establishment, now has the power to control the activities of the executive establishment. He certainly can, if he will——

Mr. GOOD. Oh, yes.

Mr. WOOD (continuing). Exercise control over the estimates of the departments.

Mr. GOOD. Yes.

Mr. WOOD. It seems to me that the thing we most need to do now is——

Mr. GOOD. But then, if that is the case, we should not put any reliance at all in the act of March 4, because the things required there are the things that the President ought to do before the estimates go in at all.

Mr. WOOD. That is it. Now, it seems to me the thing needed now in the American Government is to encourage the President to take his responsibility as head of the executive establishment—to accept it, to act on it, and to give him the means by which he may accept and act on it.

Mr. GOOD. Congress has always been willing to give him the means. The only means he has ever suggested a provision for is the Bureau of Efficiency. We have given him that; and yet the Government does not become efficient.

Mr. WOOD. The Chief Executive has failed to exercise what seems to me one of his duties. He has now the duty to report to Congress on the state of the Union and to make recommendations. Perhaps the most important legislation that goes through Congress in the course of a year takes the form of appropriation acts. For example, we establish bureaus, but they are of no value unless we give them money to run. The easiest way to stop its existence is to take away the appropriation, so the bulk of the effective legislation that Congress enacts takes the form of appropriation bills.

If the President is to exercise his function of recommending to the Congress the policies which shall be adopted for the management of Government, it seems to me he can not properly——

duty of making recommendations on expenditures. He has not done it, except in exceptional cases, up to date. It seems to me that one of the chief benefits that this budget plan can accomplish is to encourage the President or the executive establishment to bring together the various scattered estimates in such form that the policies that underly the recommendations shall be made evident to all.

Mr. GOOD. Would you have the Secretary of the Treasury continue to make the estimates?

Mr. WOOD. No; I would not. As a matter of fact, his functions now are clerical. I think that to give the Secretary of the Treasury anything more than those clerical functions would result in disputes and trouble in the executive establishment. The body that undertakes to correlate and criticize—I should say, criticize for the President, because I think no subordinate body can ever be given power over executive departments—should be independent of every spending establishment.

Mr. GOOD. When the budget gets to the Congress, do you think that is any objection to having it considered by the various appropriation committees, as at present?

Mr. WOOD. I think there is very serious objection; yes. It seems to me obvious that some centralization, or correlation, of the various appropriating committees is necessary. I should say, further, that my own observation is that the main difficulties of the committees in making appropriations spring from lack of first-hand information, and that any effort at correlation or centralization that overlooks the necessity of the maximum possible first-hand familiarity with that particular part of the subject—of the vast subject—that the appropriations deal with will fall short. In other words, I should say that the idea of the single appropriations committee which handles all appropriations somewhat in the manner that the present Appropriations Committee acts is a very dubious scheme. I suggest a number of subordinate committees, each dealing with the appropriations of a single department or bureau, and a general committee to consist of representatives of the committees dealing with the separate departments. This general committee will pass on the budget as a whole. That is, it will review, prune down, refer back, or take whatever action is necessary on the proposals of the specialized committees. The specialization of committees means more information; it means that certain members are concentrating on a certain department. They will never, perhaps, become familiar with every detail of that department, but they will get that familiarity with it which comes from close contact over a considerable period.

Mr. GOOD. What have you to say in regard to the audit and control of expenditures. Should there be any change from the present plan?

Mr. WOOD. Yes, sir; I think so.

Mr. GOOD. What?

Mr. WOOD. Obviously, the Treasury Department should not be vested with the power of review over the other departments.

Mr. GOOD. Where should that power lie?

Mr. WOOD. It seems to me it should be vested with the power of determination as to what money should be spent. In other words, in the Congress. The Congress should have the power to see that its authorizations have been carried out in accordance with its intentions. Therefore it should have an officer—if not its own officer, at

least an officer in whom it has confidence and whom it can replace if necessary—to report to it what has been done under the authorizations that have been granted.

Mr. Good. That officer, then, would serve as a check on the estimates that would be made in the first instance by the various departments?

Mr. Wood. Possibly. That officer should eventually be given, I think, inspection powers, far in excess of the present powers of the Auditor of the Treasury, which are very formal and restricted to routine. I do not know that it would be well to start out ambitiously. One of the points I would like to make is that the process of reorganization of the Government is a slow and laborious process. We have had a good deal of experience in trying to install improved accounting systems. We know that even with the best intentions in the world we usually can not do the things we want to do without help; that in order to get them done properly we have got to go into the office with expert help and assistance and show them what to do and direct their work. That is a slow, laborious job.

Mr. Good. It is a process of evolution rather than revolution?

Mr. Wood. Yes; it will not be done to-morrow or next year. It will take several years. It can not be done with too large a force, because you can not get coordination in that force. The tendency is to grab it all at once; but you get some who are competent and some who are not, and they work at cross-purposes. You have got to start at the foundation and build up. You can go fairly fast if you have plenty of authority and plenty of funds. You can not accomplish it overnight.

In order to get the means of furnishing the information which is necessary for either the President or the Congress to act intelligently on the estimates of the Government as a whole, you have got to build up a system slowly. The executive in the governmental departments is less efficient than the executive in private establishments, primarily because the officers in charge do not have to make a profit—do not have to declare dividends. They are not accountable.

Mr. Roosevelt gave a good many examples of what seemed to him, as he spoke, apparently restrictions of the present laws, which were in reality merely the effect of the failure of the department itself to take the initiative and responsibility to do things which it now has power to do. That condition, in n out the executive departments. Ther that need to be done that can not b with a little encouragement and help appropriations, and occasionally, perh

The point is that the officers have i officers at the head. Now, it is not making money. There is need of havu these officers closely, who is getting they are doing. We will, perhaps, in tl ing as we would if there were dividend closer control over the administration l the means of checking his Cabinet offi the means of checking their bureau b the means of checking this whole esta

There are one or two more points: This moot question of lump sum, for instance, or detailed appropriations. As an executive or administrative officer and chief clerk of a bureau, and in various other positions, I have of course had much contact with that problem in the past. I know from administrative experience that the officers are hampered by detailed instructions, in many instances, when they wish really to improve administration. I do not know to what extent they are prevented from running into extravagance. For the most part, in Washington, they have been pretty well bound down in the departments. It seems to me, though, that the kernel of the matter is this: The Congress, or committees of Congress, can not effectively restrict extravagance, restrict administrative officers in the exercise of appropriations, beyond the sound information that they have at the time that the act is passed. When a committee of Congress enacts legislation providing a certain number of salaries, not because it has full information concerning the number needed, but because that was the number last year or the year before, or some other year, or because the head of the bureau has not been sufficiently conservative in presenting his cause. Those restrictions are not of any real value. They are a hindrance. It seems to me Congress ought to impose limits in those matters that Congress has the means of judging, and that further restrictions of the acts of the Executive ought to be had by means of an informed criticism, something that the Congress has never had in the past. If a bureau that had previously had statutory appropriations were given a lump-sum appropriation, and if some agency in which the Congress had faith were charged with watching these expenditures, and with rating up its employees to see whether they were paid more or less for the grade of work they were doing than a standard agreed on, you would have a better administration and more economy than you have by the restrictions on advance information.

Mr. GOOD. Then, your experience would simply reverse the experience of every department that the Government has ever had?

Mr. WOOD. You have never had a uniform criticism.

Mr. GOOD. I do not know what you mean by that, but in nearly every case where we have given a lump sum there has been some criticism, and just criticism. Here we have organized a Bureau of War Risk Insurance. I know at least one young lady who was employed in the telephone office here in Washington at \$8 or \$9 a week, who was put in there at \$1,100 a year, and that is about the way that an official usually goes to work to expend a lump-sum appropriation.

Mr. WOOD. If the officials of that bureau had known from day to day, as they made those appointments, that those appointments were being watched by an agency that had information for the entire executive establishment, the result would have been different.

Mr. GOOD. Oh, they know it. They know. The whole matter was laid before the committee; and they do not care a thing about it. They have got the money and spent it; and then they come and ask for more.

Mr. WOOD. There is something in that.

Mr. GOOD. And if we do not give it to them the first time, they will come back and ask for it a second time, and then they will come back and ask for a deficiency.

Mr. WOOD. It is unquestionably true, I think, that much of the deficiencies of the departments to-day is due to restrictions put upon them in advance—under adequate provocation, I have no doubt—by the committees of Congress, which hamper reasonable discretion on the part of the executive officer. By doing that you do not gain so much as you lose. Take, for instance, the restriction regarding transfers, that a clerk must be three years in a department before he can be transferred. That disregards the fact that it is often of advantage to the department to have a clerk taken from a class where he is of no value and transferred to a class where he is of value.

Mr. GOOD. You have referred to the four millions of the War Department in the lump sum. Every day there has been criticism coming from the Halls of Congress, of that department.

Mr. WOOD. Without any effect.

Mr. GOOD. Without any effect at all. Statements have been made in the public press in that regard, but they are continuing the employment of hundreds of clerks whose employment is not necessary.

Mr. WOOD. You would not restrict them to these—

Mr. GOOD. The next appropriation bill will restrict it. It will specify, "so many clerks of class 1; so many of class 2; of class 3, and class 4." Those clerks will have to be specified for each department, and unless they can show the necessity for them, they will not be put in the bill.

Mr. WOOD. You may cut half a million dollars off of the appropriation.

Mr. GOOD. Yes; we will cut \$3,000,000.

Mr. WOOD. If you cut off \$3,000,000, would it not have the same effect if the committee had prescribed—

Mr. GOOD. If they had it that way, they would spend it in the first four months of the year, and then come back for a deficiency. When we do provide for so many clerks of class 1, and so many of class 2, of class 3, and class 4, they can not have any more than the number of clerks specified, of this class so much and of that class so much; but if you give them a lump sum they spend the whole thing in the first six months and then they come back and say, "We must have that much more, or these clerks will all be discharged"; and what can Congress do but give it to them. That is the result of the lump-sum appropriation.

I realize what you are saying, as a business principle, but I think some of you gentlemen fail to discriminate between the incentive back of the man who has a force working for him in a private business, and that of a man who has a force working for him for the Government; for too frequently it happens in the Government that he does not have the interest in his work that he has in a private business.

Mr. WOOD. If, then, a part of the place on the executive department of accountability that has not been effected seems to me that it will be well to keep it might be done through agencies of work, without detailed restrictions, and then before peremptorily deciding as to the number of clerks in each grade of service.



The Bureau of Efficiency has never gone into a bureau having a prescribed force where we regarded that force as corresponding to the prescribed needs. There never had been any occasion to ascertain what the needs were. However, I see that your convictions on that point are firm, Mr. Chairman, and I do not know that it is worth while to say anything further.

Mr. GOOD. It would take some argument to change my opinion on lump-sum appropriations.

Mr. LILL. May I say a word there, Mr. Chairman?

Mr. GOOD. Yes.

Mr. LILL. I think the answer to that is to have monthly operating statements showing the statement for this month compared with the last month, increase or decrease.

Mr. GOOD. I understand it from the accounting standpoint. I am looking at it from the standpoint of dollars and cents, getting so much work done, and our experience has been in practically every case, except where we have an exceptionally efficient chief, that the lump sum is a wasteful method of appropriation, and it has only one other principle that exceeds it in wastefulness, and that is the cost-plus contract, which was adopted by the Government. The two go hand in hand, so far as our experience has gone, with regard to the wastefulness and extravagance. It may be all right from the accounting standpoint.

Mr. LILL. I regard it purely from an accounting standpoint. When I go to a city government, I do not go for the purpose of putting in a beautiful accounting system. I have to show results. And I do not think that the Congress will ever get economy by preparing estimates a year before the money is spent. They are going to get economy through this accounting system which comes to them the minute the money is spent and shows a comparison with the preceding month. That is where they will get the economy.

Mr. WOOD. I would say, Mr. Chairman, that I have often found these restrictions in appropriation acts on executive discretion a real hindrance to good administration. They have mostly arisen out of the fact that Congress and the committee realized the fact that there was incompetent or extravagant administration somewhere in the Government, but were really unable to correct it.

That is to say, they had not authority to discharge the head of a bureau or to appoint a new one, and so forth. Therefore, they undertook to restrict the activities of the heads of the departments, in a relatively small way—that is, the details of their activities. I do not believe, myself, that such restriction is ever going to be very effective in procuring good administration. I do believe that it might be possible, if Congress were adequately informed from time to time by a reliable agent as to what was going on, and if Congress took the bit in its teeth a little more firmly than it has in the past——

Mr. GOOD. We know that down in the War Department, in the munitions building, there is absolute incompetency; that there is a large number of clerks there that are not needed. What can Congress do? We have appropriated the money in a lump sum for the whole year. What can Congress do there?

Mr. WOOD. We had some expressions along the line of some questions——

Mr. GOOD. What can Congress do, now, as a practical thing?

Mr. WOOD. I was coming to it indirectly. I will come to it directly. If Congress should adopt the European precedent, and pass a vote of lack of confidence in the War Department, or if the committee should privately send to the President formal expression of its judgment that this branch of the War Department was being incompetently administered, do you not think it would have any effect?

Mr. GOOD. Yes; but I do not think Congress would have time to do all of that, let alone pass laws. After hearing on the estimates and appropriating the money, then if we had to administer the funds also, take up one day a resolution in regard to the poor administration of the munitions department, and then go on down through the dozens of various bureaus and departments, there would not be enough days in the year, if Congress spent every day just to pass resolutions of lack of confidence.

Mr. WOOD. Do you not feel that a large part of the time now spent in the hearings might be saved, and that work be justly dispensed with if you had a bureau——

Mr. GOOD. The results of appropriations for 20 years show that by holding those hearings and scrutinizing appropriations, out of \$17,000,000,000 appropriated we have saved over \$500,000,000, and I do not believe that that would be criticised as waste.

Mr. WOOD. Oh, no; I was not calling it waste. It was merely a question as to whether the same results might not be attained with an adequate system of getting information that you do not now have.

Mr. GOOD. I agree with you.

Mr. WOOD. The same results could be attained with a relatively small expenditure of time, and time saved which is now spent in the hearings, inquiring very often into the number of clerks in this grade and that grade and the other grade. The committees would not content themselves with what they hear in going over the appropriations, when the changes in appropriations alone are considered, but they would keep in touch throughout the year with what is being done in the department through this bureau of statistics, and through current reports, and perhaps by current hearings similar to the hearings at a board of directors, in which the directors come up and make reports on what is being done from time to time.

The point is that I would not lessen or restrict the power of the committees, for I think they should have more, but I should think they would exercise the power more effectually by keeping in touch with the current work of the departments and exercising some effective influence, than they would by specifying a year in advance how many clerks at \$1,800 a year a department could have.

Mr. TEMPLE. If Congress were one man, you could get results; but where you have to talk to a membership of 400 in one House and 90 in the other, you naturally have to spend a lot of time talking. The committee does not have any authority to do anything but what it does.

Mr. WOOD. The committee can suggest to Congress.

Mr. TEMPLE. Yes.

Mr. WOOD. Our experience has led to an understanding that the departments are very much interested in the approval or disapproval

of the appropriation committees, and if they know that the approval or disapproval is based currently on better information than they now get, I think it would be very effective. We have found it so. Our biggest card—I say “our”; I am no longer regularly connected with the Bureau of Efficiency, but I have been for some time—the biggest card that we have had was the understanding that the Appropriations Committee was behind us, and we are not often ignored or neglected. That has a mighty powerful influence, the Appropriations Committee.

Mr. TEMPLE. Oh, yes.

Mr. WOOD. And it can exercise more power than it has yet exercised. The Secretary of the Navy has now the power to do a great many things which he merely says here that he would like to do, but owing to custom, etc., he does not do; so that I think that these committees could exercise a great deal of power that they do not exercise now and through it get vast improvement of administration, and not through prescribing how many clerks at \$1,400 and how many at \$1,600 and how many at \$1,800 should be had, on very inadequate information, and a year and a half in advance.

Mr. TEMPLE. Their power is precisely on the matter of appropriation and restrictions put on it. That may give them an influence over the departments which is not exactly power.

Mr. WOOD. But the control of the amount is a better club, if you want to call it a club, than the control of the number of people in the different grades. If you have a sound opinion that they are spending too much money and you tell them that currently and you send an expression of your opinion of that sort to the secretary or to the President, I think it will be effective—coupled with the threat, of course. The threat would be understood if it were not made. But I think that you gentlemen ought to keep just as open minds as possible, not on the question that extravagance is now prevalent—we are all willing to admit that—but on the possible means of overcoming that extravagance without tying down the executive officer and restricting his discretion beyond the point where he can best administer his department.

Mr. GOOD. Wherever we have given a lump-sum appropriation during the last three or four years for clerk hire I think, without a single exception, it has resulted in extravagance and inefficiency.

Mr. WOOD. Possibly. There is another point there——

Mr. GOOD. The committee has always realized that from the scientific standpoint the prescribing of these limitations is not wise and the prescribing of the number of clerks, but it has found no way to hold the department or the bureau within certain prescribed limits, except to follow that plan, and if it did not follow that plan long before the end of the year they would have a deficiency.

Mr. WOOD. It seems to me that if you came nearer to the plan that is followed in the ordinary commercial establishment, of holding the head responsible, of using all the power that you have got to hold him responsible, you would get better results than by trying to restrict him unduly.

Mr. GOOD. The only result we can get from trying to restrict him in advance is a good administration of his office, and we have not got that.

Mr. WOOD. If you expressed your judgment on it very forcibly, something that has not often been done, if it has been done at all. I think you might expect better results.

Mr. GOOD. We have not been able to do anything with the War Department yet. If the Bureau of Efficiency can do anything with it, we will be very glad to see them enter that field.

Mr. WOOD. It is now in that field, and I believe in the near future it will succeed in instituting very radical reductions and decreases.

Mr. GOOD. If it does not, some of those bureaus will die a natural death before very long. They will not be complaining because they have not so many clerks of classes one and two, and so many of class three, and so many of class four. They will not have any clerks at all, if they do not use those that they have.

Mr. WOOD. I might say again that the only really vital, important point in this whole budget agitation is to put the administrative officer under the current inspection of his chief; to try to force on the President the real supervision of the executive departments through such agencies as you can give him to help him; to try to give to Congress the means, and in some cases I think there is a willingness to take extreme measures, to supervise the work of the whole executive department, not in detail, but in its broader aspects, through adequate information. That is what your budget is going to do, if it is going to do anything.

It is going to form a substitute for that influence on the management of the business which in private enterprises comes through the need of dividends. The real trouble with the head of the executive department is that there is no one with the power of demanding results, and the only way you are going to get the demand all the way down the line is to create the demand at the top and follow it down to the bottom, so as to hold accountable each man who has responsibility. As it is now, he knows that he will hold his job pretty much the same, whether he acts economically or not, and his humanitarian feeling, his sympathy with his clerks, his interest in putting everybody in an easy, comfortable way of life, those things get the better of his desire for competent administration. The one thing that can help is to have some one higher up who is holding him to a line.

Mr. GOOD. We thank you very much, Mr. Wood.

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SATURDAY, OCTOBER 4, 1919.

### STATEMENT OF HON. WILLIAM H. TAFT.

The CHAIRMAN. Mr. Taft, during the past two weeks this committee has been constantly in session hearing statements with regard to budgetary legislation. The attempts made during your administration have been frequently referred to, and the committee is very glad that you could find time to come before us and make a statement, not only as to what was attempted to be done during your administration along that line, but the committee also desires your opinion with regard to the principles upon which sound budgetary legislation should be established. We will be very glad to have you make a general statement along that line.

Mr. TAFT. Mr. Chairman, I need hardly say that I am very glad that the budget movement is progressing. I did not feel like one crying in the wilderness in my administration when I suggested it, because there was a good deal of support for it then, but it is gratifying to know that States in large number have come to appreciate the necessity for some governmental action or legislation for a budget. I am here at the call of your chairman. I do not feel that my experience justifies me in saying that I am an expert on the subject. I am certainly not an accountant, but if the judgment made up from actual experience in office and the attempt to think out a plan can be of any value to the committee, then I am delighted to be here to give you the benefit of that judgment and experience. I think we have not had a budget heretofore, or a movement toward a budget, because we have had such taxable resources that we thought we could do anything without testing or in any degree exhausting the amount that could be raised in revenue, if it were necessary. Our discussions in politics have been on particular forms of extravagance rather than on totals. One reason why we have never had a great deal of intelligent discussion as to totals is because if you attempt to reach totals from the accounts of the Government, you will find that it takes an expert to do it, and then he is not certain. That is true because we have not the methods by which that can be done.

The Government's bookkeeping system has been improved since my day, and it was improved during my administration, but the bookkeeping of the Government, with reference to showing just what our condition is and what the available funds are, still needs improvement. Now the States have found themselves, if I may use the expression, "up against it" in reference to revenues. The change wrought by prohibition has cut down a great deal of revenue theretofore received from the liquor business and in other ways, and they have been forced into it; and now, I assume, because of the enormous taxes we are having to pay and the enormous expenditures we have had to make during the war, the movement has forced itself upon the Congress.

A budget, as I understand it, is the business prospectus of the Government for a year. There are certain essentials, however, before you get to the budget, if you are going to have an intelligent budget, and one of them is that you should know what your Government is. You do not know that, because there is no official compendium letting you know what the various agencies of the Government are and what their functions are down to the last units, and until you get some such compendium of an official character, you can not make a budget intelligently.

I know something about that, because when the Economy and Efficiency Committee, which I appointed, began work on the budget they came to me with the statement that they could not find anywhere an official review of what the Government consisted of, and they said, "We have got to spend time going through the statutes and Executive orders, and making examinations of officials themselves in order to determine what the Government is; what the various departments, bureaus, offices, and agencies are, and what their functions are, in order that we may know whether there is duplication, whether they can be combined, or whether general



functions might not be united in several departments." They said. "We do not know what it is we are dealing with, but if we were dealing with the plant of a great corporation, we would have to know everything about it. Therefore, we need to know what there is in this Government." So they went to work and they spent a great deal of time on that phase of it. They did publish a statement or a summary of most of the departments, and they published a detailed statement of the District of Columbia in order to give an illustration. Then, having done that, they went into a fuller statement of all the departments and bureaus, down, as Dr. Cleveland expressed it, to the last battleship.

Now, that was never printed. I suppose it would have comprised six or eight volumes. When the commission failed, by reason of the failure of the appropriation for it, the office was retained for a time, and then, when Mr. Wilson came in as my successor, he directed that it be transferred to the Civil Service Commission, and there it is to-day. Now, if you are going into this matter scientifically for the purpose of getting all the information and means available for making an intelligent budget, that is one of the things that ought to be done—that is to say, that matter ought to be printed, or better, perhaps, it ought to be committed to an expert board, that you may select for the purpose to complete it. Of course it needs a great deal of work now in adding the war activities that have been made necessary, or the new agencies that have been created during the war. After you bring it down to date, then it would be easy to keep it current. In all of the Government divisions, I do not think there is anything more important for the purposes of the budget than a statement of what it is you are dealing with.

The second question is as between an executive budget and a legislative budget. I have examined the bill of Chairman Good, which provides for an executive budget, and I am strongly in favor of that as distinguished from a legislative budget. I do not know but what you might have two, in a way which I shall explain later, but I think that the President, with the great executive departments under him, and with the dependence of the other departments upon the executive department for money and that kind of thing, is the proper person to say for the benefit of the legislature how much he, with his experience and the experience of those under him, believes the machinery of the Government can be run for. He is in intimate relationship with those agencies and they are under his orders, and that is where the budget should be made. That is where it should be begun and where it should  
sideration of the legislature.  
budget was that the King ran  
deal more in centuries past than  
the King had that instrument  
the realm, and that Parliament  
that they voted him to carry on  
of the Kingdom. The attitude  
was one of questioning—that  
do not think you do."

Therefore, they introduced  
years ago, in which it was proposed  
member of Parliament to make

quested by the Crown. Of course, that is not a perfect analogy to us, because while centuries ago the King was the real executive, he ceased altogether to be the executive, and to-day the executive and the legislature in Great Britain are united in the premier and his Government. All that that really means is that no private member of the House of Commons can move to increase, unless he gets the consent of the Government. Nevertheless, the example of the English system is a good one, so far as the executive feature of the budget is concerned, because this Government, or the King's Government, has everything to do with the Government and the carrying of it on, and it submits to Parliament what it thinks it will cost. That Government is the Government that exists under the laws that Parliament has adopted and under the traditions and customs that have the effects of law, and certainly, so far as that is concerned, there is a complete analogy between our situation and theirs. Now, if the Executive is to present the budget, who is to perform this duty? Is it to be the Secretary of the Treasury? That is one theory, and I suppose the Secretary of the Treasury is suggested because he now transmits to Congress the Book of Estimates. But that is merely a ministerial function. He does not exercise any control over them, but he simply edits the estimates furnished him by the heads of the departments and of the various offices outside of the departments.

I think that perhaps in the past there was in our Government some provision by which the Secretary might exercise some control over those estimates, but certainly that does not obtain now and it has not obtained for a good many years. Now, I think it would be a mistake to place this under the Secretary of the Treasury, for the reason that the Secretary of the Treasury is running one of the departments. The Secretary of the Treasury runs one of the departments of the Government, and he is like the secretary of any other department. If you select the Secretary of the Treasury as the official to consider the estimates of the other departments you are going to get into difficulties. Members of the Cabinet are not different from other people, and the pride of department, pride of bureau, and all of the things under them serve to make them all human. Now, the President is the head of the Government, so far as the Executive is concerned, and what he says is more likely to go than what the Secretary of the Treasury says. What the President says does not always go, but what he says is much more likely to go in dealing with the other departments than what the Secretary of the Treasury says. You will find considerable jealousy, not between the Secretaries personally, perhaps, but between the people that are around the Secretaries. I do not need to say to you gentlemen who are here and who are familiar with the Government that when Cabinet officers come in they have to learn a lot.

They find permanent officers here in the way of chief clerks and others who have all of that pride of department that comes from long years of service, and, indeed, it is commendable. We have here in the service of the Government wonderfully efficient servants who have devoted their lives to the bureaus and departments. It is their whole horizon, and they do take a great pride in their several services. Therefore, if you are going to attempt to change anything in the departments you will be up against a feeling and prejudice that will require all of the strength of the head of the Government to over-

come. I know that, because I have been up against it, and I can not be mistaken about it. I do not think that my administration was very different from other administrations in that respect, and if you intend to have exercised the power of pruning down the estimates of the various departments, so as to create a budget that will be economical, you have got to give the necessary power to the person who does it or put that function into the hands of the man who has as much prestige and power as there is in the Government, and that is the President of the United States. He has got to bend the will of the departments; he has got to get around or send for the various bureau chiefs or department chiefs and make them understand what his will is in that regard. Then, he has the opportunity to view the whole situation a great deal better than the Secretary of the Treasury has. The Secretary of the Treasury is, of course, the officer interested in the finances of the Government, because he has to do with them, but he has not the opportunity that the President has to view all of those departments, and he is not as impartial with respect to them as the President is.

Therefore, as between him and the President, I have no doubt as to where the duty should rest. Now, it is asked, can the President do it? Yes, he can do it if you give him the assistance and machinery with which to do it. If you give him a budget staff, such as the Gould bill gives him, and have that staff made up of competent and expert men who know how, he can devote time to deciding the questions that are critical in respect to policy as the budget shall disclose. When there is a question as between a department and the budget staff as to whether something shall be cut down in the department, the President would be there to act as the final authority and to decide. He is there backed up by the budget staff, if he agrees with them, or by the department, if he thinks they have gone too far or cut too much to the quick. Now, the budget is to contain, first, an estimate of the regular income; second, of the revenue, and the method of raising it, or so much as the plan of expenditures may require, and, third, the estimates of expenditures, with all of it based upon the showing of prior years. It is to be the financial working plan of the Government; it is to be the financial review of the State of the Union, and it will contain the personality of the President. It will contain a résumé of his views as to the policy of the Government in every important field of finance, and that will draw to it a great deal of the Government's policies of all kinds. Of course, it will involve great labor on the part of the President in determining what those policies should be, but it will be the great act of his administration each year. It will be something that he has got to meet; it will be something that he has got to take a part in, and, while he has many duties, there will be no duty more important than this, and if you give him the proper instrumentalities or machinery, there is not the slightest reason why he should not meet it.

Now, in my time—and it was so long ago that I sometimes feel that it never was, and that is one of the pleasures in coming here, because it disinters the situation—in my time there was no opportunity on the part of the President furnished in the law to have anything to do with the estimates, and I think that is the case to-day. A bureau chief thinking that the question of animal industry is the most important industry there is in the whole country, has pushed

up his estimates to a point where, if the other bureaus were conducted with the same liberality, they would swamp the Treasury. He goes to the head of the department, who has a restraining influence because he has to respond to the other bureaus in the Agricultural Department, but he too is impressed with the necessity of spending a great deal of money for given purposes that he sincerely believes in, but the amount of which is reached without any sense of proportion as to the demands of the other departments. All of those things go into Congress. Not only that, but every bureau chief and every department head knows that each committee on appropriations is sitting up here with a club, some of them with views as to ample appropriations for certain purposes, but with a club to hit every other appropriation and reduce it. Therefore, there is a general percentage of reduction that is expected, and the bureau chiefs meet that expectation, and the heads of departments, too. You know that is the way it works.

Now, I tried my hand without any law, just because I was the head of the Government, and those men were under me, and I tried it upon the total estimates. I had them all brought before me, before they were sent to the Secretary of the Treasury and before they went into that hopper over which I had no control, and I just read the riot act to every head of the department. I said, "You have got to come down, because this total is too much." I cut it, I do not know how much, but probably \$150,000,000. I thought that was the method of reform, but I survived long enough to find out that it was a mistake. I found, in the first place, that you could not do that sort of thing without full knowledge, and I had not gotten full knowledge. That saving, which was only apparent, was gradually chiseled down by deficiency appropriations and the conviction that, probably, in the cut efficiency had been impaired. That is what convinced me of the necessity of a commission or budget staff to advise with the President as to the sum in which the estimates should be pruned, and that is how a real budget should be framed. I think that the President ought to have means of following the expenditures of the departments under appropriations. There are many appropriations that are not exhausted, and many appropriations that ought not to be exhausted. I mean by that that there is a great deal of opportunity for saving after Congress has said its word and made the appropriation, and I think that the President ought to have some means of introducing a sort of emulation as between the departments for economy, and he can not have that unless he knows something about them.

Now, there have been systems in the States which might work well if you wanted to introduce them. For instance, if you required a department to get its money for the next month by requisition which should be approved by the President, or the head of the budget staff first, and then by the President, or quarterly, if more convenient, it might work well. Then the President would be able to follow, by reason of the investigations of the staff as to the necessity for the requisitions, what is being done in each department. The greatest means of securing economy as between the various branches of the Government is a means of comparison. When you find that some service performed in the Adjutant General's office in respect to the mail and that same sort of service performed in the Agricultural

Department, or some other department, differ in their cost, so that one cost \$50 while the other cost only \$10, why, that should be investigated, and the Secretary of War should be advised that that is under observation and that it is for him to justify the difference by showing a difference in the service, or else that he must cut down the cost. This system of following the departments through the requisitions and through the discoveries that would come up through the requisitions, as conducted by the budget staff, whose business it would be to bring such matters to the attention of the President, would develop a system of comparison that would lead to greater efficiency, greater economy, and greater attention by the heads of the departments to their departments.

Now, there is the objection that this would be a system of espionage by the budget staff upon the various departments, and, of course, you will hear a great deal about that if you put it into effect. Well, the accounts of every department head have to be submitted for examination, and there is not any reason why the efficiency of his department should not be similarly examined. The sensible forward-looking head of a department, anxious to accomplish something, will be glad to have the means of investigating in his own department that the close watch of an outside agency like this would furnish him.

Mr. MADDEN. May I interrupt you at this point to say that all of the big corporations in the United States have certified expert accountants to go over their records every month and make a detailed statement of the facts as they find them, with recommendations as to the new things that ought to be introduced or the old things that ought to be eliminated?

Mr. TAFT. Yes.

Mr. MADDEN. And the heads of those concerns do not consider that a system of espionage, but they are glad to have it.

Mr. TAFT. I am glad to have your confirmation of that. That was my understanding of the general practice.

Recurring to the matter of the jealousies between the departments, you will find that chief clerks and chiefs of bureaus who have been long in office and who are worthy men, have a pride of department that will arouse them to resist investigation, but if you introduce a system of this sort and make them know that it is not a reflection upon them, but only a general system to which they must subject themselves just as they do to the ordinary rules that the Secretary of the Treasury issues with respect to the keeping of accounts, or as to the method of drawing warrants, then they will acquiesce.

Now, so much for the general discussion. I have examined all of the bills that the chairman was good enough to send me. They are not all comprehensive. They provide for the appointment of committees and of commissions to investigate, and, of course, I think Congress needs the benefit of expert advice on the subject, and, doubtless, would take it; but the practical bill among them is the Good bill, so-called. I think it is an excellent bill except in one particular, and that is you have a provision for an alternative budget. You have either got to have a budget or no budget. If you transmit through this staff two budgets, one of which is assimilated with the Book of Estimates of the Secretary of the Treasury, human nature will make Congress take up that, and the learned disquisitions of the President on the subject of the budget will have that respectful consideration



that is associated with dust and occasional reference. I know that Congress always respects the President—up to a certain point—but I know, if the choice is left, that the effect of tradition is going back to the bureaus of the departments to find out what is needed there, and that umbilical relation that exists between some members of the committees and the bureau chiefs and the department heads will continue to pulse as it has in the past. You can not avoid it. It is human nature.

Mr. MADDEN. Is there some influence there for patronage?

Mr. TAFT. I do not know what the influence is, but what I do know is that a great deal goes on between the bureau chiefs and the committees in Congress and between the departments and the committees of Congress. It is more than the President has any notion of at all, and I know that a great many things are done with respect to which the President has no knowledge and which, if he had the knowledge, he would forbid. Now, I am not speaking of anything that is sinister, and I am not charging corruption, or anything of that sort; but I am simply meeting that tendency on the part of each man to be absorbed in the importance of his own bureau and the anxious desire that he has to get money enough to make him serve the Republic in a worthy way by conducting his bureau so as to fulfill the entire measure of the ideal functions that that bureau may perform. But when you come to the expenditures or the "demnition total," as Mr. Mantilini called it, then that has to be restrained, and the direct relation between the bureaus and the committees when you are acting on their estimates does not tend to reduce the appropriations for the carrying on of the functions of those particular bureaus. Now, of course, I would not deny to the committees of Congress the opportunity to call those men to testify, but they ought to testify under the shadow of the budget of the President, so that they would have loyalty for the administration by standing for the responsibility that he assumes as to his whole administration. That is what I mean.

Now, I want to say—and I am speaking from personal experience—that when I went through the department and inquired as to the efficiency of various men in the War Department, or in the regular service, one man was pointed out to me with the statement, "There is a very fine officer. He has established relations with the Military Committee or the Fortifications Committee by which he always gets what he wants." Well, how did he do it? He did it by perfectly proper means. I do not mean that patronage or entertainment or anything of that sort was used; but I mean that by constantly attending their session and by sitting up with the members, by natural attractiveness, and by apparent fairness, or perhaps by real fairness, he had so impressed himself upon the members of the committees that he could get what he wanted while others did not. Now, I would want to stimulate that within bounds, but I would want to keep them under the general plan that the President, who is responsible for the estimates, shall lay down in the budget.

The CHAIRMAN. Before you leave that proposition for an alternative budget, let me call your attention to the present law on estimates. If a bill should pass without some such provision, then the President would be compelled to submit his budget in the form in which the appropriations for the previous year were made.

Mr. TAFT. You mean that is under the existing law?

Mr. GOOD. Yes, sir.

Mr. TAFT. I would change that law; but of course I assumed when I came here that I was going to write on the slate that the ideal legislator loves, or one that is not written on.

Mr. TEMPLE. This is for the purpose of covering the transition period only.

Mr. TAFT. Of course, that is a detail and it may be necessary to make some provision for it in making the change. I do not know about that; but I am speaking now of the theory of offering Congress an option, or committees the option, of taking one method or the other.

The CHAIRMAN. That is not a permanent thing, but there must be something to cover the transition period. Now, I want to call your attention to this, also: If the House does not change its rules and permits the bills to be scattered among seven or eight appropriating committees, it will be almost necessary for the budget to be transmitted practically in the form in which it is now transmitted, so far as its division into bills is concerned.

Mr. TAFT. Is there any reason why in this budget there should not be furnished by the President such a division as would conform to your rules, if that division is a wise one? My recollection of the old budget that we submitted was that it contained a complete comparison with the Book of Estimates, with the division that was made in the Book of Estimates, and I do not see why the budget presented by the President might not be so shaped as to accord with those rules, or at least so shaped as to enable you to adopt your new rules to the form of the budget.

The CHAIRMAN. Unquestionably.

Mr. TAFT. Now, you have spoken of the House committees, and, naturally, the Good bill does not deal with the House committees. I am bound to say that, under the old maxim that charity should begin at home, that is something that Congress ought to do for itself. In this matter of a budget, if there is any method by which any extravagance in Government expenditures can be expanded it is under the system you have in the House, because that same feeling that I have been describing in the bureaus and the departments that tends to magnify their relative importance inheres also in the making of appropriations of money by one committee for one department or for one branch of the service. A man does not have to be a Member of Congress to see that. I need not say that to the Appropriations Committee, because, while I do not know how it is now, if you really wanted to get up a fight in the Congresses with which I was familiar, then get up an issue between the general Appropriations Committee and the Military Committee or the Rivers and Harbors Committee or some other committee that had particular appropriations to make, and you could occupy the attention of Congress for some time. I knew Mr. Tawney pretty well, and he had an emphatic method of expression which impressed itself on me, and which was most frequently directed toward the extravagance of the special committees on appropriations.

Now, as to whether it be necessary to maintain these committees, or not, if you are going to have a budget, you have got to have, not only an executive budget, but you must have some sort of parallel

in the form of a legislative budget authority. You want to superimpose a committee that will check up the reports of those special appropriating committees. Whether you make a general appropriations committee or special budget committee, of course I do not suggest, because I am not sufficiently familiar with the rules of the House, the atmosphere of the House, the traditions of the House, or the sensitive nerves of the House, except generally, but certainly if the reform is to be genuine and sincere, and the people are to believe that it is, the House must put its own house in order and change its system.

Mr. MADDEN. It must not simply be an executive reform, but it must be a reform all around.

Mr. TAFT. Yes; because a single committee, unless it be a general appropriating committee with entire control, could not accomplish it. A single committee dealing with a single subject is not a committee through which general budget results can be framed.

Now, there has been suggested, and perhaps it would be a good thing—I have suggested it myself—that you have some such limitation as they have in England. It would be a self-denying ordinance on your part if you introduced it, to prevent an increase of an individual item in an appropriation bill; that individual items may not be increased by amendment offered by a Member on the floor. That may prove to be an annoying limitation on Congress that believes in its independence, and yet I should think that some provision or machinery in your rules might be devised to prevent any abuses of that sort.

Now, I understand that Mr. Kitchen and a number of others have pointed out that in the past Congress has cut down estimates that have come to it, and generally has not increased them. I suppose that is not so universal, but under the conditions that exist really I would expect that. It must be so, because of the disposition of the bureau chiefs and department heads to anticipate a cutting, and so increase in order to get the cutting. And under a budget system I think perhaps if the President exercised his authority there would be a disposition by individuals whose views had not been met, through amendments on the floor of the House, to bring about a change. I should think the rules of the House might be adopted which might—you require now a two-thirds vote to suspend your rules?

The CHAIRMAN. Yes.

Mr. TAFT. I think that might be an analogous situation, and it might be introduced to guard that point.

Mr. GARNER. Mr. President, you would not take away the entire right to increase the budget?

Mr. TAFT. Oh, no; you could not take it away entirely.

Mr. GARNER. The House might, for instance, desire to increase estimates for the Bureau of Animal Industry; the President might not have the viewpoint of the people of the entire United States.

Mr. TAFT. Yes; I understand. He undertakes to formulate the policies.

Mr. GARNER. And we think that he should fix the policy, but we think that in the Bureau of Animal Industry, for instance, the estimate is not sufficient.

Mr. TAFT. I do not give it nearly the importance that has been given to it in the discussion. I think it is a good thing to have your rules prevent too much increase.

Now, in New York, in their constitutional convention, there was a provision which was defeated; there was a constitutional provision that if it was to be increased it should be by separate bill and be met by legislation. The danger is from the informality and ease with which appropriation bills are changed.

Mr. GARNER. We now have a rule that a point of order will lie against an appropriation that is not authorized by law; but after the thing has been done and established, then it is a question for Congress as well as the President to say how much will be appropriated for that particular thing.

Mr. TAFT. Yes; I agree, but I think you might stiffen the budget if you provided it should be done only on a two-thirds majority.

Mr. GARNER. Yes; but that would still give the Congress the right.

Mr. TAFT. Oh, yes.

Mr. KITCHIN. Mr. President, that has been greatly exaggerated by writers on this question, and as a practical thing it amounts to nothing. If we have a budget system and the President presents his budget it will have his influence behind it, and there would not be much chance for a Member to increase an item against the President's budget and the recommendation of the committee that reports it. Even now the increases put on appropriation bills by Members in the House are less than one-tenth of 1 per cent of total appropriations; it will be less than that, it will be less than one-twentieth of 1 per cent. It is almost impossible for a Member, against the estimates of the department and the report of the committee, to carry a motion to increase an item in an appropriation bill. Now, we have a rule that a man can, as Mr. Garner says, raise a point of order against an item, unless the appropriation is provided for by law, one man can knock it out. So if the Appropriation Committee should report an item and suggest an appropriation not provided for by law, one Member can make a point of order and knock it out. And if a Member makes a motion to increase an appropriation already authorized by law, he stands very little show at all.

Mr. TAFT. How about the conference committees?

Mr. KITCHIN. Conference committees can not increase over the Senate and House. I really presume you meant the Senate instead of the House.

Mr. TAFT. I thought if I appealed to this tribunal I would get an acquiescence on that matter.

Mr. KITCHIN. We have another rule of the House that any Member can offer an amendment to an appropriation bill decreasing the estimate with respect to an item already authorized by law; anything that will reduce appropriations is in order.

Mr. TAFT. Really, as I have said, this particular provision suggested by the budget in the English Parliament, is, I think, dwelt upon with somewhat more emphasis than it need be, although I think it is a good restriction, and possibly if you change the budget you might find that it might be more important than you think it to be.

Mr. MADDEN. I think you remember that the conference committee can only go within the limits of the highest and lowest amounts.

Mr. TAFT. How far do you think they go on the Senate end?

Mr. MADDEN. That is a question, but the disposition of the House has always been to cut the Senate amendments.

Mr. KITCHIN. If it increases the amount?

Mr. MADDEN. Yes.

Mr. TAFT. Now, there is one other thing that I would like to refer to. A budget derives much of its force and use from the fact of being presented by the author of it to the body that has to consider it. President Wilson has introduced a custom, and I think it is a good thing; he has overruled Mr. Jefferson; he has come down and addressed the Congress. I think it fixes the attention of Congress on the subject matter, by fixing the people's attention on the Congress as well as on the subject matter.

Mr. MADDEN. And it gets Congress acquainted with the President.

Mr. TAFT. I think the President should be expected to present the budget to both Houses; and I think he ought to make a budget speech, just as a budget speech is made in the other Governments where they have budgets. Now, he can not be expected to go into details, but he should be backed by his Cabinet.

Mr. TINKHAM. Should questions be asked from the floor?

Mr. TAFT. Of the President?

Mr. TINKHAM. Yes.

Mr. TAFT. I do not think he would object; I don't know. I would not object. But whether that be the case or not, I think he ought to be allowed and ought to be required to send his Cabinet officers on the floor of each House to urge that budget in detail, and that you ought to give them an opportunity to come there; give them the same privileges that you give to the Delegates of a Territory; that they come there or in the Committee of the Whole, wherever you chose, or before these things go to the committees, that the department chiefs should be enabled to present the matter to Congress and justify this budget.

Mr. HAWLEY. Would you give the budget staff the same opportunity as the President?

Mr. TAFT. I should think that the department chiefs could do the work without them. I would not have any objection to the other.

Mr. GARNER. Suppose the department chiefs disagreed with the budget?

Mr. TAFT. Well, if they did, then I would relieve them from office. What I mean is this: You have got to have loyalty and teamwork in the administration, and if one member of the administration comes up and opposes the policy of the administration he ceases to be useful, that is all.

Mr. GARNER. In that connection, isn't this chief of the budget staff going to be one of the most important men in the Government?

Mr. TAFT. Yes; if you exalt the office in that way; and perhaps that is one reason that you should not give him the same right as the President, so that he does not appear except when there is a controversy between him and the President. But I would make the department chiefs responsible for their budget, and if they could not, then they should not be where they are.

Mr. KITCHIN. The President should make each one responsible?

Mr. TAFT. Yes; and they should come in and justify that part of the budget that relates to their department.

Mr. GARNER. What I was thinking about, if they really disagreed with the President and they were on the floor of the House and defending a proposition that they believed in their hearts and minds



should be different, they would labor under some difficulty, wouldn't they?

Mr. TAFT. I don't think a great deal. My impression is that every man that gets up to make a speech has certain limitations on what he says, and after training in the House or public life he should control his words. And if he is a loyal member of the Cabinet he acquiesces in the general position. And if he can not defend the budget and justify the position, if it offends his conscience to defend it, why private life is not so objectionable. I have tried it myself.

The CHAIRMAN. Mr. Taft, we now have a plan, as you know, of considering all of the estimates in the various appropriating committees. So far as the Committee on Appropriations is concerned, members of the Cabinet are advised when their particular department will be reached for consideration. I was not a member of the Committee on Appropriations during your administration, but have been since. Formerly every Cabinet officer would come before the committee. Almost without exception it was developed that they knew very little about their estimates, and would simply turn to the bureau chief and let him answer the questions, but the answer would go in as the answer of the Cabinet member. It has been suggested that if that plan of giving a Cabinet officer a right on the floor of the House should obtain, it would completely destroy a great many false reputations so far as Cabinet officers are concerned.

Mr. TAFT. Mr. Chairman, I had intended to say something about that; indeed, I had it in the statement I had prepared here. The truth is that to put Cabinet officers on the floor of the House is going to introduce a new qualification for Cabinet officers, and a very desirable one. Indeed, two new qualifications. One is that they shall so prepare themselves on their own departments that they will be able to answer questions from the floor. Of course, the chairman of your committee, when he goes on the floor to defend appropriations, has the secretary of your committee with him with the details, and when he stands he turns to him and he helps him. Well, of course, the Cabinet officer might do that. But he would select the man, and he would study in advance, so that when he put a question he would put it with a knowledge of where the answer was to be found. Now, I think it would greatly help the administration of affairs to require the Secretary to devote his attention to his own department and stand up and be examined, because he would be examined, and he would represent the administration, and if he did not represent it well, there would be a gentleman down in the White House who would be promptly advised, and the whole influence would be good, and it would bring the Cabinet officers closely in contact with the Members of Congress, greatly to the advantage of both.

Mr. MADDEN. In other words, it would make them defend the administration policy?

Mr. TAFT. Yes, sir.

Mr. GARNER. Mr. President, you would compel them to come and not merely give them an invitation?

Mr. TAFT. No, sir; I would make them come to Congress. Of course, you would give them reasonable notice. Of course, it might be limited to the budget, or a general bill, or something of that sort. But you can get by cross-examination of a man on the floor facts that may not have been told, but he can advise you, with the knowledge

he has, if he has the knowledge that he ought to have, what it would take you weeks to get out of the department, and then not get it. It would help the House to learn facts and learn them quickly.

Mr. MADDEN. But, Mr. President, before that happens all the preliminary work of the committee on budget, or appropriations, or whatever you call it, has been gone through with, and this is the final stage.

Mr. TAFT. No; that is not what I would do. I would think it better that the President present the whole budget and then have this followed up by speeches at once, and then that you call the Cabinet officer after you have got through the examination first, and then maybe some of them again.

Mr. HAWLEY. Do you think any President would object to having a Cabinet officer summoned before Congress for the purpose of cross-examination?

Mr. TAFT. I don't think so; I don't know why he should. We are all in favor of pitiless publicity, with certain exceptions.

Mr. KITCHIN. Mr. Taft, would it be more practicable to let the committee examine the Cabinet officer?

Mr. TAFT (interposing). No, sir; I don't think so.

Mr. KITCHIN (continuing). Because they are fewer in number and having especially studied the subject they could have the time and examine him more critically than 435 Members of the House? Unless you limited the time it would take each Cabinet officer from one to three weeks to answer the questions that the Members would put to him, because every Member would want to get into the record on an occasion of that kind.

Mr. TAFT. You might restrict it to the members of the committee to ask the questions. I think it might be limited as to time.

Mr. BYRNS. You would not eliminate the committee hearings?

Mr. TAFT. Oh, not at all. I think you should send for the bureau chiefs and everybody else that you think knew anything about it.

Mr. TEMPLE. You may remember that the act of 1879, the act that established the Treasury Department, provides that the Secretary of the Treasury shall make his report in writing or in person, as may be required by either House.

Mr. TAFT. Yes; I do not remember that particular provision, but I remember that there was an aspect of the law that seemed to intend that he should go there and make a budget speech.

Mr. TEMPLE. Yes; and then he did not come.

Mr. TAFT. No.

Mr. TEMPLE. In fact, I have examined the debates lately, and Mr. Gray of Massachusetts introduced a resolution that he should come in person, and Mr. Palmer, of Pennsylvania, thought that it should be in writing, rather than to depend on their memories.

Mr. TAFT. Of course, this subject of having the Cabinet members on the floor has been agitated for a good many years. George Pendleton was a great advocate of it, and you will find a very interesting report of Mr. Pendleton away back when he was a Member of Congress, and then subsequently when he was a Senator, and the report is signed by every important Member of Congress, but it never came to anything. I recommended it in one of my messages to Congress when I was here.

Mr. TINKHAM. Wouldn't the fact that such examination was to be held make it become an anti-Administration holiday, and one Member can make quite a commotion in the House?

Mr. TAFT. Of course, you know more about the attitude and disposition of the House than I do. But I think you can count on the Members to be courteous to the Secretaries. Even if he gets a little rough treatment it won't hurt him.

Mr. CAMPBELL. A Member in the Canadian Parliament is limited to the questions in a notice given to the Premier a few days before he appears, and he is protected by that notice.

Mr. TAFT. Yes.

Mr. TAYLOR. That is a detail that Congress can work out.

Mr. TAFT. Yes; but the general principle is an excellent one, and I think you can protect yourselves and protect the Secretaries too.

Mr. GARNER. Mr. President, if I understood you, you thought Congress itself should have a budget staff somewhat similar to the Executive's?

Mr. TAFT. I think they should have a budget committee, who occupy the same position with reference to the Government's expenses and the bills, and so on, as the President does in his submission of it to the committee.

Mr. GARNER. Do you think that should be a committee of the House——

Mr. TAFT (interposing). Yes; I do.

Mr. GARNER (continuing). Or of the Senate and House together?

Mr. TAFT. I should think perhaps it would be better——perhaps you know better than I do—to get a joint committee that would work; I don't know. Of course, the House, I suppose, is jealous of its right to initiate the revenue and appropriation bills, and therefore I did not venture to mention a joint committee.

Mr. GARNER. If you have a committee of the House of 21 Members, they will not be able personally to do that work; that is, to go to the departments and look over them, like the President's budget staff or employees. They will necessarily have a similar budget staff, which would involve an expenditure of \$75,000 or \$100,000 each year, and it would be patronage, and it would involve a change. It occurred to me that if you are to have that work done by the House of Representatives it would necessarily have to be done by an organization of gentlemen composed generally in the manner of the President's staff, because Congress can not do that personally.

Mr. TAFT. I agree that you have to furnish the machinery.

Mr. GARNER. And if you furnish the machinery, \$100,000 of patronage, and you do not regulate them—and I do not see any way to regulate it——

Mr. TAFT (interposing). You are revealing the human side of the Members of your Congress that I would not venture to dwell on at all.

Mr. TEMPLE. They are as human after they are elected as before.

Mr. KITCHIN. Let us see how this budget committee of the House would operate from your viewpoint.

Mr. TAFT. I do not insist on a budget committee, but I suppose that was a bridge over the chasm that you have attempted to cross a good many times in attempting to get rid of these special committees. If you could get rid of them, I suppose it would be vastly better.

Mr. KITCHIN. If we did have a budget committee, is it your idea that the committee take the budget sent down by the President and note the amount of revenue for the year and the expenditures according to the estimates attached, and then allot to the Naval Affairs Committee \$600,000,000 and to the Military Affairs Committee \$600,000,000 and to Rivers and Harbors \$50,000,000, and then the Naval Affairs and Military Affairs and Rivers and Harbors Committees should not be allowed to exceed in their appropriations the allotment of this general budget committee?

Mr. TAFT. I think perhaps it might be practicable. That is not what was in my mind. I assumed that each appropriation committee would make up their report and that report would go as a matter of course to the budget committee, and then the budget committee would take up the budget of the President, and then report back.

Mr. KITCHIN. And then report back?

Mr. TAFT. Yes; and then would come the pruning or making such changes as they think necessary to make, and make that the report of the budget committee.

Mr. BYRNS. Somewhat similar to the action the President would take with reference to the heads of the departments?

Mr. TAFT. Just exactly: that was my view.

The CHAIRMAN. Mr. Taft, what have you to say with regard to the independent audit and control?

Mr. TAFT. Well, some of these bills provide for an auditor general to be appointed by Congress. I presume you have considered the constitutional question whether you can create an officer of that kind. There is no doubt you could create the officer, but, in view of the provision that the President appoints the judges of courts, ambassadors, and other officers of the United States, I doubt whether you could appoint him. You could, of course, practically do the same thing by leaving it to the committee and giving the committee the power to select the employees of that committee.

Mr. MADDEN. Would it be practicable to authorize the President to appoint such an officer and then provide that he should not be removed except by action of Congress for malfeasance or misfeasance?

Mr. TAFT. I think perhaps you might do that. I have forgotten just what the appointment of the Comptroller of the Treasury is. The only way the President can do is to get rid of him; he could not reverse his decisions, but he could get rid of him and get another comptroller, and that is the case to-day.

The CHAIRMAN. You are familiar with the provision of the English system whereby the auditor general and comptroller is provided as an arm of the Parliament?

Mr. TAFT. Yes; I understand they have some such system.

The CHAIRMAN. It has been suggested here by some that the most important subject in budget reform is to establish some such independent establishment which shall be entirely independent.

Mr. TAFT. I don't think there is any objection to that, but I don't think it is by any means the most important. I think the most important feature of it, gentlemen, from my experience, and I have had some, is giving to the President the responsibility and the means of keeping down expenditures, with a close watch on him; he stating his responsibility in his budget, and with a close watch on him by

the agencies which Congress can summon, in the discharge of their duty, in appropriating that money.

The CHAIRMAN. Mr. Taft, suppose the President was not inclined to be economical, and was inclined to socialize industry and take up those functions that are now performed by the corporations and individuals, and make a suggestion for a large appropriation for that purpose? Now, it has been suggested that if there were those independent auditors, going about in the departments, they would feel more free to come to Congress with a criticism here, a notice of duplication there, or useless expenditures of money that might be avoided if Congress's attention was called to it. At present it can not be called to the attention of Congress, because the auditor and comptroller are presidential appointees.

Mr. TAFT. I don't think any President would have a right to object to Congress creating such agencies as it deemed wise to criticize and search and show the lack of foundation for statements or for the lack of good policy involved in a budget. And the more you have of that, if it is effective, the better. But you can duplicate so many of those agencies that they tumble over each other, and then neither of them becomes effective. I think there is danger of increasing it until it becomes too large. But the very idea of a budget is, here is the Executive, and here is his plan, and he is responsible for it and he has justified it in his budget, and he presents that to whom? The body from whom he wishes the money. The body from whom he wishes the money is there, and it is its chief function to see that he does not get any more than he ought to have; that he does not consume any more than he should, and if there are any fads of his, he should not be gratified.

Mr. MADDEN. And it gets it before the people?

Mr. TAFT. Yes, sir; and the benefit is not only in the money saved, but the chief object of the machinery of Government is to fix responsibility for what is done in the Government, and that is what this does.

Mr. MADDEN. Now, if the agency suggested by Mr. Good could be worked out it would aid Congress materially in working out these appropriations on the estimates and avoid appropriations for fads as you suggest?

Mr. TAFT. Yes, sir.

The CHAIRMAN. It is not proposed that there should be only an independent audit, but the auditor and comptroller should be removed from the President and made an independent department, so that his criticisms can be at all times free from Executive interference.

Mr. TAFT. Of course you have to retain machinery enough for an executive audit; you have to have that kind of thing. But the other, of course—

The CHAIRMAN (interposing). Yes; they have that now. They have the audit by the six auditors.

Mr. TAFT. Yes.

The CHAIRMAN. And it was intended to take that force and transfer it so as to make it available to Congress, and to serve as a check.

Mr. TAFT. Yes.

Mr. TEMPLE. In the beginning of your remarks you referred to a document prepared by the Committee on Efficiency and which never was printed.



Mr. TAFT. Yes.

Mr. TEMPLE. What was the nature of that?

Mr. TAFT. It was a description of every agency of the Government down to its last unit.

Mr. TEMPLE. It differed from the report of the commission?

Mr. TAFT. Yes; it differed from the report of the commission in this, that it was much more elaborate than the one sample that was given by the commission of what they meant by that kind of description.

Mr. TEMPLE. And that report was published?

Mr. TAFT. Yes, sir.

Mr. TEMPLE. In a separate volume?

Mr. TAFT. Yes; but you will find, if your committee examines the Civil Service Commission, you will find that they have there this great report, and it was a great report.

Mr. TEMPLE. That was before my time in Congress, and I wanted the information.

Mr. TAFT. Yes; and I think that in the interest of us all that such a report—of course, this is behind the times now, because it goes back seven or eight years.

Mr. TEMPLE. It would be of great use to any committee?

Mr. TAFT. Yes; it would be of great use to the committee.

Mr. MADDEN. Such information as is contained in that report would, I presume, as a matter of course, be selected and recorded by any agency that the President might have in order to give him aid and advice?

Mr. TAFT. Yes; it would. That would be the first work, I conceive, of a budget staff.

Mr. MADDEN. And in that way we would have a record of each bureau and each activity so that any Member of Congress could learn at any time just what it meant?

Mr. TAFT. Yes, sir.

Mr. PURNELL. Mr. President, I want to ask you to refer again to one other point which you discussed and which I did not catch fully. Of course, we are fixing the responsibility upon the President for initiating estimates; when that budget is transferred to Congress, how far would you go in transferring the responsibility for it to the shoulders of Congress? That is the exact point I want you to discuss again, if you will, briefly; how far you would permit Congress to go in increasing, say, the estimates as laid down by the Executive.

Mr. TAFT. Well, I don't think, of course, under the Constitution it would be restrained at all; it could do anything, and the point made that heretofore Congress has always reduced certain estimates——

Mr. PURNELL (interposing). That is fact, I think.

Mr. TAFT (continuing). Would perhaps minimize the importance of a restraint in that regard, but I think you will find it more useful than it now is, and as Congress will be disposed—or groups in Congress will be disposed—not to increase estimates over the presidential budget when that represents a definite theory in the policy of the Government for the next year.

Mr. PURNELL. Well, the increased estimates might grow out of the difference in policy; that is to say, we might have a Democratic President and a Republican Congress, which would necessarily mean a difference in policy.

Mr. TAFT. Yes; I have been familiar with that arrangement.

Mr. PURNELL. Now, should Congress, if of different political faith from the Executive, have the right, if it chooses, to determine a matter of policy, to make a radical increase?

Mr. TAFT. Oh, yes; but it would take the responsibility.

Mr. PURNELL. That is what I am getting at.

Mr. TAFT. I would surround the doing of it so as to be sure that it was not used to amend an appropriation bill; to make it definite what final action Congress wants to take.

Mr. MADDEN. Your idea is that if the President should take the stand and have a policy and defend it, if Congress wants to amend it, it should stand on its own policy?

Mr. TAFT. Yes; but you should avoid amendments if possible, and make the rules so that it should not come except from a change of policy, or with the ease with which appropriations may be increased in committee or elsewhere, or in the ease with which appropriations are put through.

Mr. PURNELL. It has been pointed out by members of this committee, the older members, that there have been in 20 years but two instances where there has been a net increase over the proposals.

Mr. TAFT. Yes; but I think you can explain that by the fact that that was anticipated in the preparation of those estimates.

Mr. TEMPLE. There has been some ground on which to base those estimates?

Mr. TAFT. Oh, yes; there was.

Mr. KITCHIN. That would be a tribute to Congress, that Congress desires to be as economical as possible and cut out everything that is not for the good of the service?

Mr. TAFT. Yes; within certain limitations. That Congress always wants to be economical, I would be willing to defend, but Congress has done a good deal that is not economical.

Mr. KITCHIN. I agree with you on that, and I have denounced it on the floor.

The CHAIRMAN. Mr. Taft, there has been a good deal that the bureau chiefs and various departments have done that can not be defended.

Mr. TAFT. I agree; I am not here to defend the departments.

The CHAIRMAN. I understand that. One of the hard things that the Committee on Appropriations has to be contending with is that estimates come in not digested; for example, the last estimate for fortifications was made before the armistice was signed and were for about \$5,000,000,000, afterwards they were revised twice and reduced to about \$93,000,000. The Committee on Appropriations reported out about \$11,000,000. After discussing the estimates for several days it was discovered that the board of review had never passed on the one estimate of \$25,000,000, I think it was, which was to mount some particularly large guns on railway cars for coast defense, and in that discussion it was stated, as I recall, that to mount those guns would be a mistake; that in guns mounted in that way they could not be either accuracy of fire or rapidity of fire when shooting at small objects miles at sea; if they were directed toward land forces and the projectile did not hit the munition plant they aimed at, but struck the terminal of a railroad, it would perform a military service. But here was an estimate that involved scientific problems and the

board of review should have worked out, but they had never considered it at all. When their attention was called to it by the committee refusing to give them the money, they commenced to work on it, and they have been working on that for months and they are working at it yet. And I can give a good many instances where Congress has checked extravagance.

Mr. TAFT. Mr. Chairman, your illustration is one of the best bases of argument that we should have an executive budget for which the President should be responsible.

The CHAIRMAN. I agree with you.

Mr. TAFT. There is extravagance, and it has grown out of your giving the right to every bureau chief and department head to put in what he chooses without any particular examination. Now, if there is a responsible head in the President, he is going to find out, and his budget staff is going to find out, what the basis is of an estimate for each bureau, and cut it down. That is the advantage. You are making the Executive put his house in order and making him an example.

Mr. MADDEN. And if the bureau chiefs do not have time to consider them they will postpone it until some other time.

Mr. TAFT. Yes; and see whether they can get away with it.

Mr. GARNER. You would have the budget staff responsible to the President?

Mr. TAFT. I would.

Mr. GARNER. And not to Congress and under civil service?

Mr. TAFT. That is a different thing. The chiefs should be appointed. You have to have experts. I think you ought to pay them well. I do not know that that should apply to the chiefs, but to the rest.

Mr. TEMPLE. Would there be an advantage in making it not bureau chiefs, but secretary to the President?

Mr. TAFT. You mean the budget staff?

Mr. TEMPLE. The head of the budget staff, as secretary to the President.

Mr. TAFT. Well, I think I would give him as much power as a Cabinet officer gets. Oh, perhaps a thousand dollars or two thousand dollars less in order to keep him within his place.

Mr. TEMPLE. But it ought to be emphasised that he is an officer within the President's office and not any place else?

Mr. TAFT. Yes; I don't think I would have him confirmed by the Senate. I think I would give the President the right to appoint him without any interference.

Mr. CAMPBELL. That officer would go out with the administration?

Mr. TAFT. Probably; and probably the next administration would continue him if he was a good man. It is very like the Chief of Staff of the Army; he continues for four years, and it is a confidential relation and he ends with the administration, but he might be retained by the next administration.

Mr. GARNER. How many would you have go out with the administration; just the chiefs and certain other officers?

Mr. TAFT. That is a detail I have not considered. I would like to talk that over with the expert accountants such as I have had; that is, such experts as I had on the Economy Commission; that is, as to

how far the restrictions of the Civil Service Commission would prevent him getting what he would need.

Mr. GARNER. That is what I wanted; you do not want the President tied up so that he could say that he could not get the men that he wanted, and I wanted to know how far you would go in removing them and still keep good men.

Mr. MADDEN. They could get the proper men and put them under civil service and they will be permanent fixtures.

Mr. TAFT. Yes; I think it would be well to have a civil service supply there, but I think with reference to the experts at the heads, and possibly reaching down somewhat, it would be more convenient to appoint them, and especially where you are going to organize a new department, you may need considerable latitude; after a while your civil service machinery might develop a selection of men so that you could depend on them.

Mr. GARNER. I have not had a great deal of experience in Congressional campaigns but so far as I know very little is said in them with reference to attacking the President for extravagance. Now, under the system you suggest the President might say, "I want so much money to run the Government," and the man in Congress who suggests an amendment for an increase over that would be likely charged with extravagance; he may have a man in his district opposing him who says, "Here is what the President said he needed for the purpose of running the Government, and you gave him so much more; therefore, you have been guilty of extravagance." On the other hand, if the President is extravagant in his demands, and the Congress reduces the estimates in the amount of money it appropriates, the Congressman goes back, if he has voted against the President's recommendations, and voted to reduce them, and attacks the President for his extravagance, and thereby makes a political issue.

Mr. TAFT. Yes.

Mr. HAWLEY. Mr. President, as a matter of fundamental law, have we any right to lay on the President the burden of preparing a budget?

Mr. TAFT. I think you have. Your request is a law, but if he wants to he can neglect it. I think it is a practical question; I don't think any President, if you request it in a law, would decline to comply. My own theory is that you could just lay down a provision that the President shall submit it.

Mr. HAWLEY. You would like to have the President submit it.

Mr. TAFT. Yes; the President.

Mr. HAWLEY. You made something that sometimes what the

Mr. TAFT. You mean with

Mr. HAWLEY. Yes; and in

Mr. TAFT. Yes; what I mean is a policy, but he would find it much opposed to the policy; defiance there would be that

Mr. HAWLEY. Do you think of a budget if we should

Mr. TAFT. Not if you have enforced. That is, the pride

Mr. BYRNS. At the present time we try to combat that disposition

Mr. TAFT. No; and then there will be sitting up back of each department a gentleman until the department head becomes familiar with his department, if he ever does, there will be a coterie sitting behind him telling him what a mistake this is, and how the President does not understand; there will be such a mixup that it will be a scandal to attempt to reverse the ideas suggested. That is what I mean.

Mr. GARNER. After all, it will depend on the efficiency with which the President's budget staff performs its duty?

Mr. TAFT. Yes; and the effectiveness with which he puts it through. And if you have a President who wants to make this system a failure, he can.

Mr. GARNER. And then the Congress can make the issue with him?

Mr. TAFT. Yes; but I don't think you will find such a President. I think the Presidents generally want to do their duty. I am in favor of the Presidents as against the others; I want to defend the group I had the honor to belong to for one term. If you put that in the law, I think the President, no matter who he is, will go to work to try to carry out the law, because he will recognize that it gives him an opportunity to do a great public work and in such a way that the public will understand it.

Mr. TINKHAM. Mr. President, if you have that group, there will be a head?

Mr. TAFT. Yes, sir.

Mr. TINKHAM. What should be the term of office of that head?

Mr. TAFT. I think the "chief of budget staff."

Mr. TINKHAM. What would be the term; the term of the President?

Mr. TAFT. No; I would not make any limitation at all. I would say he shall be appointed; I would leave it entirely with the President. In other words, if the new President came in and found that man efficient, he might retain him. In other words, the civil-service principles would form the motive of the President to look for a proper man, and if he was an efficient man he would be kept.

Mr. TINKHAM. But below the head, the civil-service rules should apply?

Mr. TAFT. Yes; I think so. Of course, that is a detail I could not answer until the questions were put, and it would depend, too, on the possibility of getting men for certain places within the civil-service rules.

Mr. GARNER. There is one difficulty I see. For instance, this chief comes in and he wants a half-dozen men of high-grade qualifications in accounting, etc., and not only accounting, but men that have the backbone to do the work. Now, would it be better to get them under civil service, or to leave that to the President himself?

Mr. TAFT. That is a matter of administration.

The CHAIRMAN. Mr. Taft, we thank you very much for giving us this very illuminating statement.

Mr. TAFT. It has been a great pleasure to me, I assure you.



SATURDAY, OCTOBER 4, 1919.

**STATEMENT OF HON. CARTER GLASS, SECRETARY OF THE TREASURY.**

The CHAIRMAN. Mr. Secretary, quite a number of bills and House resolutions and one or two House joint resolutions have been referred to this committee. The hearings, however, have taken a much wider range. It has been the policy of the committee to permit those who have appeared before the committee to discuss the principle of budgetary legislation from any angle they desire.

The committee would be very glad to have a statement from you touching this situation in any of the branches you would like to discuss.

Secretary GLASS. Mr. Chairman, you were kind enough to send me copies of the resolutions and bills, all of which I have glanced over. As you and other gentlemen know, in my nearly 18 years of service in the House I had no association whatsoever with the activities of the Ways and Means Committee or with any of the appropriation committees, the one having the function of raising revenues and the others of appropriating them. Therefore, in that time I formed no very definite ideas of a budget. Since I have been at the Treasury our chief business has been to raise money to meet appropriations, and while I have not had time to consider the question of a budget in very great detail the necessity for such reform has been impressively brought to my attention. Since you were kind enough to send me these bills and to say over the phone that the committee would like to have a statement from me I have given the subject further careful consideration and have prepared a written statement of views which I shall read to the committee, with your permission; and I have no objection to being interrupted at any stage of the reading, or, if it is preferred, I shall conclude the reading and then be glad to answer any questions that I can or discuss any point which I shall present in the written statement.

The CHAIRMAN. The committee will be very glad to hear your statement.

Secretary GLASS (reading):

I am heartily in favor of a budget system. Without effective control over governmental expenditures and limitation of them to the Government's income we shall bring down upon our heads the splendid structure which our fathers have built, and which we have preserved. The very success (which you will pardon me if I call brilliant) with which the Treasury has financed the stupendous requirements imposed upon America by the great war may become a menace. All sense of values seems to have departed from among us. The departments, bureaus, and boards, all inspired by a laudable enthusiasm for their work, but some by a less laudable instinct to magnify its importance, bombard the committees of Congress with projects, some more or less meritorious, some of no merit whatever, but all conceived in sublime indifference to the fact that the great business of Government is being run at a loss and that each one of these projects increases the deficit of the Government and consequently the burden to be thrown upon the great body of people, whether the deficit be met by increasing taxes or by floating additional loans. For no fallacy is more grotesque than the assumption that by issuing bonds or notes or certificates of indebtedness now we may pass on to future generations the burden of our own extravagance. The burden of these issues will have to be met to-day, not only in the interest and sinking fund charges added to an already heavy load, but in the expansion of credit which is inevitable as a result of the issue of such securities, constituting as they do a primary basis for additional credit in the hands of the holders, whoever they may be. I shall not elaborate upon that point, but I want to say to you in all solemnity that if we do not

American people will pay for the extravagance of the Government, whether that extravagance finds its incidence in governmental waste or in the desire to accomplish real or fancied benefits for a portion of the community.

Let us now get back to bedrock. Let us remember that there can be no spending by the Government without paying by the Government and that the Government can not pay except out of the pockets of the people. Let us remember too that in the last analysis taxes and the cost of Government loans are borne by 100,000,000 people. The burden of taxation, the burden of credit expansion is inevitably shifted to the whole people of the United States. Some methods of finance are better than others. Some taxes are less readily adapted to being shifted from the backs of the original taxpayers, presumably better able to bear them, to the backs of the people as a whole, but in the long run the burden of governmental waste and extravagance falls more heavily upon the poor than upon the well-to-do and more heavily upon the well-to-do than upon the rich. By graduated income taxes we tend to mitigate this consequence, but we can not wholly avoid it. Let us not fail to remember that the Government of the United States is simply a name for the people of the United States and that all of the people of the United States will pay in inverse order to their ability for extravagances of the Government perpetrated in the interest of a portion of the people or a section of the country.

You gentlemen, I am sure, have learned as well as I by long service in Congress that the instincts and enthusiasms of departments, bureaus, and boards find support in the committee of Congress appointed to have charge of their particular affairs. As a result we find that governmental expenditure initiated in a department of the Government charged with the specific business of creating an Army, or of creating a Navy, or of creating a merchant marine, or of stimulating commerce, or of protecting labor, or of aiding the development of agriculture, is submitted to the Congress without consultation with or approval by the finance officer of the Government, the Secretary of the Treasury, who serves merely as a messenger, and whose office is charged with the heavy burden of finding financial means in loans and taxes to meet expenditures; and when it reaches Congress is referred to the corresponding committees of the Congress whose specific function is also to see to the development of the Army, the Navy, the merchant marine, etc. And the Congress passes upon all of these projects—good, bad, and indifferent—without a report from the Committee on Ways and Means or the Committee on Finance, the committees of Congress which share with the Secretary of the Treasury the heavy burden of finance.

It undoubtedly is true that, oftener than otherwise, the sum of department estimates is greater than allowed by the committees of Congress. I have heard it said that this is invariably so. I suspect that estimates are frequently contrived with a confident expectation of such a fate. Nevertheless, it must be admitted that each jurisdictional committee deals with estimates in a singularly sympathetic spirit, that would not be manifested by a budgetary official charged with the responsibility of advising the Congress as to the levying of taxes as well as with the responsibility of collecting the money of which appropriations are made. Moreover, it will not be denied that these various jurisdictional committees, acting separately and without complete information concerning the activities of one another, accentuate the importance of the departments, bureaus, and boards which they respectively have under their care. This would not be so if appropriations were made by a single committee, any more than would the initial estimates be allowed so far to exceed the probable revenues if the finance minister of the Government were given power to assemble, review, and alter them before transmitting them to Congress. Extravagance of executive departments and bureaus would thereby be appreciably restrained. I think it amazing that under such a system the Congress has done so well for so long a time; but I feel constrained to warn you, gentlemen, in view of the greatly expanded activities of the Government and the extraordinary financial burdens which the country must endure, that it would be hazardous to continue on the old way of transacting the public business.

The Government of the United States is like a great company whose operating managers, publicity managers, sales managers, purchasing department, are given carte blanche to make expenditures, conceived by them to be in the interest of the development of the business, without consultation with or control by those officers of the company who are charged with the business of ascertaining its revenues and borrowing the money to make good their deficiencies.

Or again the Government of the United States is like a private family in which the wife, having charge of the spending part of the family's business, were given carte blanche to buy houses, yachts, automobiles, clothes, and food, and to employ servants, as she might find wise with a view to increasing the comfort, improving the education, cultivating the taste and enhancing the prestige and social standing of the

family, and the husband's sole business were to see that there was money in the bank to meet her checks as they were presented.

That is a most pronounced hyperbole, but it is literally true that the Secretary of the Treasury under existing law and practice is unable to obtain from any department of the Government an accurate or approximately accurate estimate of its expenditures for a few weeks in advance, not to say months or years. He must be guided not by information furnished by them but by his own shrewd guess as a result of putting together an infinite number of little facts and figures. That the Treasury has been able, notwithstanding these intolerable conditions, to finance the Government through the great war and up to this date without impairing the credit but the contrary, with enhancement of the credit of the Government of the United States is due, first, to the loyalty and devotion of the whole American people throughout the period of the war, to the magnificent efforts of the patriotic Liberty loan organizations, to the unqualified support given the Treasury by the Congress without regard to party, and, if I may say so, to the rather exceptional skill and ingenuity with which the Treasury has been conducted during this difficult period. But I say to you it is an intolerable thing that such conditions should exist and that the welfare and economic life of the American people should be at the hazard of such things as these.

As a former colleague, and in a spirit of frank comradeship which such animosity inspires, I am prompted here to enter a complaint which may not be ascribed to a desire to be critical, but to a hope that it may be given serious attention in behalf of administrative efficiency. The Congress votes with a lavish hand stupendous sums conceived in a magnificent spirit of generosity with a view to the enhancement of the prestige of the Nation, or for the benefit of this or that element in the community. This it does upon the advice of the committee of Congress charged with the business of caring for such special interests. Then, speaking through the great Committee on Appropriations, it pursues a policy of constriction with relation to the expenditures of some of the departments of the Government which makes impossible for those departments to conduct the vast affairs imposed upon them with efficiency and economy. The Government of the United States to-day is spending hundreds of millions of dollars, even billions of dollars, for armies, for navies, for merchant fleets, and other magnificent activities and at the same time refusing the payment of a living wage to the faithful clerks and employees in departments of the Government charged with the stupendous responsibility of transacting these vast affairs honestly, expeditiously, and economically.

While your committee is considering a budget and an audit in the interest of the Government, the Government of the United States is in danger of losing millions of dollars because some of the departments charged with the conduct of its business are undermanned, limited to the employment of less efficient help than they should have and provided with insufficient space to house those employees. While you are considering the reform of the audit, the work in the office of the auditors is months behind because of the failure to provide an adequate force or adequate space to transact their business.

While you discuss the budget plans and audit plans the Congress withholds the necessary funds to erect an adequate vault for the protection of the vast gold stores of the United States. It withholds the necessary appropriation to enable the Treasury of the United States to count Federal reserve bank notes and national bank notes turned in for redemption, with the result that the Treasury is unable to take credit for those notes and is obliged to borrow corresponding sums of money at interest running at  $4\frac{1}{2}$  per cent and  $4\frac{1}{2}$  per cent and this notwithstanding that any appropriation made for this purpose will be charged back to the banks and cost not one penny to the Government of the United States. Bonds, notes, and gold with the currency of which the Treasury is charged, are inadequately protected. There is an insufficient force to care for them. The force we have is underpaid. The work in the Treasury

To-day the credit of the United States is imperiled by projects initiated and supported on the floor of Congress with a view to capturing the so-called soldier vote. I do not believe for a minute there is any such thing as the soldier vote. I do not believe that that magnificent body of strong, brave, lusty young men who went out to France, or were ready to go, want to see the people of the United States exploited in order that each of them may receive a donation. I do not believe these fine young men, if they realized what it is that is proposed in their behalf, would accept a gift made at the expense of their fathers and mothers and sisters and the children that are to come after them in order to give them a holiday. While of course you can not commit to terms of money the value of the service rendered by the Army of America, I call your attention to the fact that the actual pay of our soldiers was doubled at the outset of the war, that our soldiers have been paid with liberality never dreamed of in the history of this or any other country, and that the projects now advocated so lavishly and with so little regard for the welfare of the American people are not limited to those heroic men who suffered injury or death at the hands of the enemy, not even to those who actually saw the front, not even to those who were sent to France. These projects extend to everyone of some four and one-half million men, mostly young men, who were included in the military and naval forces of the United States, even to those of their number who sought and obtained employment of a character which would relieve them from being exposed to personal risk.

It has been the disheartening task of the Treasury to examine scores and scores of bills drawn and presented with a view to benefiting a section of the country or a portion of its citizenship at the expense of the whole. Many of these bills were apparently devised to avoid the appearance of an appropriation by requiring the Secretary of the Treasury to issue bonds, notes, or certificates of indebtedness to meet the expenditure involved, and all of these bills were such as would not be reached by a purely executive budget.

I have said the finances of the United States are in excellent condition. I have said in substance that I do not anticipate a deficit in the current fiscal year in excess of \$1,000,000,000 and that that deficit is covered by deferred installments of the Victory loan, payable within the fiscal year. I have said that there need be no more Liberty loans. But I say to you in all solemnity that if a prompt and immediate halt is not called to this great peril, there must be another Liberty loan, and you gentlemen will have to go out to the people of the United States and call upon them to subscribe for bonds, the proceeds of which are to be given away to the well and strong young men who you and I and the American people know went out in a spirit of unselfishness, not one of self-seeking, to fight for their country. You may ask the old men and the widows, the school children, the rich and the poor, who responded to the call of their country to the number of 20,000,000 during the period of the war to respond again to this call for a donation. I hope I shall never shrink from the performance of any public duty, yet I do not covet the task of making such an appeal and I shall not willingly be a party to offering this affront to the generous, heroic, unselfish Army and Navy of America that saved the freedom of the world.

The Congress may propose to pay this gift in bonds themselves; but that should not fool anyone. If bonds are given away to the soldiers the issuance in that manner of those bonds will depress the prices of existing bonds so gravely as to imperil the credit of the United States and force additional sacrifices from the 20,000,000 people who participated in financing the war, in providing the pay, food, and munitions which made it possible for our splendid Army to contribute decisively to the great victory.

I have spoken of the initiation of appropriations in Congress. Let me speak also of the increase of appropriations. As you all know, and as I know after 17 years in Congress and not more than half as many months in the Treasury, the processes employed in framing and passing public buildings and rivers and harbors bills lead to a great waste of the money of the people. The continuance of the United States Government's activities where they are not needed, whether those activities be Army posts or sub-treasuries or hospitals, would have scant consideration in a real business budget submitted by a finance minister, duly empowered by law, and managed through Congress by a single committee under rules of limitation imposed by the Congress on itself. In my belief, you can not make a real budget unless you face these facts and deal with them. The Congress of the United States, in attempting this great reform in the interest of economy and efficiency, will fail and fail utterly if, while imposing the necessary firm control over the expenditures of the executive departments, it fails to exercise the sublime quality of self-control.

Coming to matters of detail, let me summarize briefly my views as follows: First, a budget, to be effective, must cover all appropriations and all increases of appropriations, whether initiated in the executive departments or in the Congress. The bureau of the budget should be in the office of the Secretary of the Treasury, the officer of the

Government charged with the heavy burden of finding the means to finance its requirements. The division of responsibility is the bane of our Government. It is intolerable that the Secretary of the Treasury should have no voice in the determination of the expenditures of the Government. It is intolerable to think that his function should be merely to go out and borrow money when someone else has spent it without consultation with him or consideration of the means to raise it.

The preparation of the budget should be the principal duty of the finance minister. We all know that the President can not do this thing. We all know that a bureau chief in the office of the President would be helpless to assert his opinion in opposition to the members of the President's Cabinet. Projects of the Government involving expenditures should be determined in conference between the members of the Cabinet concerned, and the President's decision should be final. So far as concerns the question how much money can be raised in loans and taxes and to what amount, therefore, the total expenditures of the Government should be limited and for all budgetary work, the President should obtain his advice from the Secretary of the Treasury and not from a bureau chief appointed for the purpose, and paralleling the work of the Secretary of the Treasury. The budget plans presented to this committee generally do not contemplate increasing the voice of the Secretary of the Treasury in determining the Government's expenditures, but on the contrary, contemplate depriving him of such voice as he already has. I ask you what there is in the record of the Treasury of the United States from the time of Alexander Hamilton to the present day which justifies this distrust? Which of the departments of the Government has deserved better of the American people or of this Congress? What reason have you to believe that the Secretary of the Treasury, with the support of the great institution over which he presides, the oldest of Government departments, can not if due authority be conferred upon him, undertake this task so vital to the welfare of the people and so vital to the success of the administration of his office? We multiply boards and bureaus, we multiply clerks and statisticians and perpetually we attempt to hobble those great officers of the Government upon whom rest the responsibility for producing the necessary results. Why not go back to first principles and trust these men until they fail you and then get rid of them? What good can come of a policy of imposing tremendous responsibility upon the great officers of the Government and then tying their hands so that they can accomplish nothing?

Whether the budget service should be in the form of a bureau in the Treasury is a matter of detail which can be worked out. Whatever form such a staff of the Secretary of the Treasury should take, I am inclined to believe that it should be composed of experts whose tenure of office, with the possible exception of the head, would be in the nature of permanence.

If this additional duty should be imposed upon the Secretary of the Treasury, I think it would be wise to relieve him of activities which have no relation to the financial operations of the Government. The department should retain all the fiscal bureaus and divisions, and the Coast Guard which has to do with the collection and protection of the revenue, but in a readjustment of this character I think that it could well dispense with the Bureau of War Risk Insurance, the Bureau of Public Health, and perhaps the Supervising Architect's Office.

Second, when the budget has been received by the Congress it will be accepted as the President's program of finance. If I may venture an opinion as to whether the budget should be considered in one committee or distributed among the present committees that consider appropriations I should say that it would be preferable to consider it as a whole and by one committee. The forum of consideration, however, is not quite so important as the question of the disposition of the budget at the hands of Congress.

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The program would stand before the country with a clear line of demarcation as to the appropriations for which the President was responsible and those for which the Congress assumed the principal responsibility.

Third, there should be an audit and an effective audit. The audit now provided by law is effective when made to insure that expenditures have been made in accordance with law. The first step before Congress is to appropriate funds sufficient to enable the auditors to make the audit which is provided for under existing law. The second step is to enlarge the scope of the audit, strengthen the powers, and enlarge the force so that there may be covered also the question whether expenditures have been made efficiently, economically, and without duplication. For this purpose it is vitally necessary that there should be only one auditor instead of half a dozen. It is desirable that the offices of the comptroller and auditors should be rolled into one. As a step in that direction, Secretary McAdoo on October 25, 1918, issued an order directing the Comptroller of the Treasury to exercise administrative supervision and direction of all the auditing offices. This was the first time that the auditors were placed under the administrative control of the comptroller, and the order was as far as it was possible to go without amendment of the law.

In connection with the suggestion that the Comptroller of the Treasury and the auditors be divorced from the Treasury Department and erected as an independent establishment, it is not clearly defined in any of the proposals just what change is contemplated in the accounting system. It must be remembered that the comptroller and the auditors are not merely auditors of expenditures with respect to their regularity and legality, but they are the accounting officers of the Treasury. They pass upon and check the accounts in connection with every financial transaction, whether it relates to the receipt of money, to direct payments out of the Treasury, to repayments to the credit of appropriations, to credits to disbursing officers, or to payments by disbursing officers.

In the management of the Nation's finances the Secretary of the Treasury must have an effective system of accounting and bookkeeping. If the comptroller and auditors were transferred from the Treasury I am inclined to think that it would be necessary to duplicate much of this accounting and bookkeeping in their offices. If the comptroller, as an independent officer, is to be in a position to give information to the Congress, as the suggestions seem to contemplate, unquestionably it would be necessary for him to duplicate the bookkeeping operations of the Division of Public Moneys and the Division of Bookkeeping and Warrants of the Treasury Department and also some of the bookkeeping operations of the office of the Treasurer of the United States. At the present time, however, I express no definite opinion on this suggested change, because it has not been put forward in such detail as to permit the expression of judgment from the standpoint of the accounting and bookkeeping requirements of the Treasury.

If the auditing department should be without the walls of the Treasury, it is vital that the auditor or comptroller, whatever he may be called, should be as free from interference by the members of the legislature and by members of the other departments of the Government as he is now in the Treasury. It has been the duty and the pleasure of the Treasury Department to uphold the comptroller in his independence as a quasi-judicial officer even in cases where his determinations did not commend themselves to the Treasury. It is, of course, only human for the comptroller to favor his own personal elevation from a subordinate to an independent position. There is nothing blameworthy in that. The present comptroller has my support and confidence. He is a brave, upright, and on the whole wise public servant. Whether any comptroller would be able to exercise his functions as effectively and freely, deprived of the support and prestige of the great Treasury Department and left to stand upon his own feet as the head of an independent office, I am doubtful. On the whole, I am inclined to the view that the best interests of efficiency and economy require that the audit be conducted under the supervision of the finance minister of the Government, the man upon whose shoulders will fall the consequences of extravagance and waste.

The act of March 4, 1909, provides:

"Immediately upon the receipt of the regular annual estimates of appropriations needed for the various branches of the Government it shall be the duty of the Secretary of the Treasury to estimate as nearly as may be the revenues of the Government for the ensuing fiscal year, and if the estimates for appropriations, including the estimated amount necessary to meet all continuing and permanent appropriations, shall exceed the estimated revenues the Secretary of the Treasury shall transmit the estimates to Congress as heretofore required by law and at once transmit a detailed statement of all of said estimates to the President, to the end that he may, in giving Congress information of the state of the Union and in recommending to their consideration such

measures as he may judge necessary, advise the Congress how in his judgment the estimated appropriations could with least injury to the public service be reduced - as to bring the appropriations within the estimated revenues, or, if such reduction be not in his judgment practicable without undue injury to the public service, that he may recommend to Congress such loans or new taxes as may be necessary to cover the deficiency.

It has been stated that this section of law contemplates the preparation of an adequate book of estimates along budgetary lines. Such, in my judgment, is not the case. In the first place, the act states that, in case the estimates for appropriations exceed the estimated revenues a detailed statement shall be made to the President by the Secretary of the Treasury in order that he may advise the Congress how, in his judgment, the estimated appropriations could with least injury to the public service be reduced, or, if they can not be reduced, in order that he may recommend such loans or new taxes as may be necessary to cover the deficiency. I call your particular attention to the fact that the act states that in the contingency mentioned the President may recommend how the appropriations may be reduced. That is an implicit sanction by law of the present situation, or at least a recognition in the statute that the estimates as now submitted are compiled without regard to the Nation's income. When the estimates go to Congress under any proper system, they should represent in the first instance the minimum requirements of the Government as related to its prospective receipts.

In the second place I invite attention to the fact that this law applies only to the regular annual estimates of appropriations, that is to say, the appropriations which are submitted for the ensuing fiscal year. It does not apply to estimates for deficiency and supplemental appropriations. When the Secretary of the Treasury sends the Book of Estimates to the Congress, less than one-half of the current fiscal year has expired, but there is no requirement in law for any action whatever on the part of the Executive in case of an estimated deficit in the Treasury at the end of that current fiscal year as a result of deficiency and supplemental estimates.

In the third place I should point out that this law compares estimated receipts and estimates of appropriations, whereas it should compare estimated receipts and estimated expenditures. At the time it was drawn, however, it was not customary for the Secretary of the Treasury to estimate the expenditure for the ensuing fiscal year.

It has been stated that no attention has been paid to the statute. The facts are these:

The estimates for the fiscal year 1911 were transmitted to Congress December 2, 1909, and, therefore, were the first regular annual estimates of appropriations to be transmitted after the passage of the law.

The 1911 estimates showed an estimated excess of ordinary receipts over ordinary appropriations of \$35,831,327.48, but with the Panama Canal appropriations added instead of a surplus there would be shown a deficit of \$12,132,197.21. As authority existed for the issue of Panama Canal bonds, undoubtedly it was held that the act of March 4, 1909, did not apply, there being more than sufficient revenue to meet the estimated ordinary appropriations for 1911. This assumption is confirmed by the fact that the annual report of Secretary MacVeagh for 1909 refers to the sale of bonds or certificates of indebtedness to meet anticipated deficit shown in the estimates.

For the year 1912 the same condition was presented, it being estimated that the ordinary receipts would exceed the ordinary appropriations by approximately \$49,500,000, but taking the Panama Canal appropriation into account there would be a deficit of more than \$7,000,000. A similar condition existed for 1913.

The estimates for 1914, sent to Congress on December 2, 1912, were \$732,556,023 for estimated expenditures and estimated receipts \$710,000,000, showing an estimated deficit of \$22,556,023 exclusive of Panama Canal appropriations. President Taft reported this deficiency

For 1916, the estimated excess of ordinary receipts over ordinary appropriations was \$21,234,895.20.

The annual report of the Secretary of the Treasury of December 6, 1915, pages 48 to 52, deals with receipts and disbursements for 1916 and 1917, and recommended the means of obtaining the additional revenue required for the fiscal year 1917. In conformity with the statute, President Wilson similarly dealt with the situation in his message to Congress December 7.

The annual report of the Secretary of the Treasury, sent to Congress in December, 1916, referred to the estimates for the fiscal year ending June 30, 1918. The estimates indicated that there would be a deficit on account of the program of preparedness. The Secretary pointed out that on account of the untried new revenue laws relating to taxation of inheritances and war munitions, and the uncertainties as to the actual expenditure that might be made on account of the large program for preparedness, it was very difficult to estimate with accuracy the receipts and expenditures for the fiscal year 1917, and particularly for the fiscal year 1918. He urged upon the attention of Congress the necessity of passing such measures as would provide additional revenue to meet the preparedness program. This was only a few months before the declaration of war. After war was declared, the Secretary of the Treasury was in constant touch with the Committee on Ways and Means of the House and the Finance Committee of the Senate, advising them periodically of the needs of the Government. As a result of these advices the Congress levied taxes and authorized issues of securities as the needs of the Government developed.

Gentlemen, I shall be very glad to elaborate, if I can, any point presented in this formal statement, and to answer any questions I can.

The CHAIRMAN. Mr. Secretary, you have pointed out the failure of Congress to provide ample salaries for Government employees. During the past few days we have had before us men from the States and from some of the large municipalities. The gentleman having charge of the budget for the city of New York brought his budget here and I think the committee was rather surprised to note the salaries paid for clerical help in the city of New York as compared with the salaries paid Government employees. It was a rare thing to find that a stenographer in the city of New York received as much as \$1,800. Practically all through it was from \$1,000 to \$1,200, and in some instances \$1,400, whereas in the Government service we not only pay \$1,800 for stenographers, and we employ thousands of them at that rate, but we pay them a bonus of \$240 in addition. Very few stenographers in the Government service who are capable of taking dictation and then operating the machine, under the bonus receive less than \$1,400. I should say, from my experience on the legislative bill at the present time the average is around \$1,600, which is very much larger than similar positions receive in the city of New York.

Secretary GLASS. I had more particular reference, Mr. Chairman, not to stenographers employed by the Government, for I frankly think that the stenographers are fairly, if not thoroughly, well paid—that is, those of whom I have any definite, personal, or official knowledge, but to men who have a character of work to do that can not be done by an ordinary clerk, technical and supervisory work, for instance. Many of these men, to my personal knowledge, have quit the Treasury to accept positions elsewhere at very much greater pay. I might say to the committee that, to my personal knowledge, scores of men have remained in the employment of the Government solely through a wonderful spirit of patriotism, notwithstanding the fact that they have received in some instances offers of salaries double the salaries they are receiving in the Government service.

The CHAIRMAN. I think you are entirely right, Mr. Secretary, and the trouble has been not as explained by most of the bureau chiefs

when they come before the committees of Congress asking for increases for what they call the lower classes of employees, but nobody has ever come before the committee to plead for the man who gives his brains to the service of the Government—high-class men. If they have been overlooked, it is just as much—and I think more—the fault of the various departments that make their estimates, in not making estimates for them, as it has been the fault of Congress in not initiating the plan.

Secretary GLASS. I might say, Mr. Chairman, that one class of employees I had in mind was the counters in the counting department of the Treasury. That question has troubled me and it ought to be remedied. Mr. Leffingwell, who has charge of the fiscal bureau, can tell you about them. At one time we just could not count the Federal reserve bank notes or the national bank notes, because the pittance paid to those counters was such that you could not employ people—you could not employ a hodcarrier, you could not employ a wood-sawyer, at the amount which it was proposed to pay these people at that time. Whether or not it has been remedied, Mr. Leffingwell will be able to tell you.

The CHAIRMAN. This year, when you made your estimates for the office of the auditor for additional employees, you asked for nonapportioned check assorters, 7 at \$720 and 25 at \$700, and particular attention was invited to that item, because on the very next page came the Auditor for the Navy Department, where they did not ask for any of that lower class of employees. The Auditor for the Navy Department said that he could not get clerks at \$700 and \$720, and the Auditor for the Treasury Department said he could get them. The estimates came in for them and they were given the additional employees just as requested, as I recall.

Mr. LEFFINGWELL. Mr. Chairman, may I interrupt?

The CHAIRMAN. Yes.

Mr. LEFFINGWELL. You have the general principle in mind, Mr. Chairman, but it is not just quite correct, as far as the Treasury is concerned, to say that we have never asked for better salaries for supervisory employees. Last summer I came before a subcommittee of this committee and pointed out the distressing situation that existed in the fiscal bureaus, where, compared with prewar conditions, we have multiplied the operations by 30 and the employees by

receive \$5,000 while the chief continues to receive \$3,500. He ought to have double that amount.

That is in explanation of our estimates, and while we do sometimes ask for more than we think we are going to get, we do try to follow the general notion of the Committee on Appropriations.

The CHAIRMAN. That is true, but even the committee that you appeared before had no power to do what you thought ought to be done. If they had done it, one Member of the House could have raised the point of order and it would have gone out. The point I am making is that, so far as I can recall, no Secretary of the Treasury has ever come before Congress with a proposition that went to the committee that did have jurisdiction to change those salaries. They only came in the form of estimates and not in a special request that would go to the committees having jurisdiction of the question of raising the salaries. The committees on appropriations felt that they were bound to a large extent by existing law and until the Secretary or some one of the other secretaries presented the question either through the message of the President or in some other manner, so that the attention of Congress, instead of a single committee of Congress, would be centered upon that very point. There was nothing that Congress could do. Now, take a bird's-eye view, and I realize the fact that it is a little difficult now to compare expenditures with pre-war conditions because you have added the Bureau of War Risk Insurance, carrying an expenditure of about \$10,000,000 a year.

Secretary GLASS. Right there, Mr. Chairman. In the War Risk Bureau we have an anomalous situation, a rather humiliating situation, in a sense, of paying some of the employees a great deal more than the director of the bureau receives. I had to go to New York and appeal to the patriotism of a man to surrender a salary of \$20,000 a year and come here and help us reorganize one department of that bureau at a salary of \$10,000 a year. He is a subordinate officer, and that salary of \$10,000 a year is double the salary that is received by the director of the War Risk Bureau, which is the greatest insurance company in the world.

The CHAIRMAN. Well, nobody can complain of that. That bureau grew up very quickly and Congress and the various departments have at times been so occupied with the questions of the war that I realize that questions of individual salaries were made subservient to the general thought.

Mr. GARNER. I think that the Congress has justified the Secretary of the Treasury or any other head of department in coming to the Appropriations Committee for their increases and not going to the committees who had jurisdiction of it. So far as I recall at this time in 17 years' service in Congress I do not know of a single instance where the committees of the House have not had jurisdiction of increasing salaries or where they have ever made a report of a bill of that character, or where Congress has ever considered it. So I say the custom for at least 16 years has justified them in coming to the Appropriations Committee to get their increases rather than going to the various committees who had jurisdiction of the increases in the various departments.

Secretary GLASS. Let me say, Mr. Chairman, that I debated gravely in my own mind whether or not I should introduce this



aspect of the case here to-day. I wanted altogether to refrain from anything that seemed to be of a controversial nature, and I only finally assumed to do it because I felt that I had been so long associated with you gentlemen up here that you would take the suggestions I have made in that respect in fine spirit and be glad to learn the views of one of your former colleagues who, unhappily, has been obliged to do administrative work in the Government. And have not presented it comprehensively, because I know very little about other departments. I have wanted it brought strongly to your attention because the very activities of the Treasury which relate themselves to this problem that you are now considering have been tremendously cramped and impeded by failure to give us efficient employees to audit accounts and to transact this very business that must be considered in the budget.

I realize how busy a man you are at the head of the great Appropriations Committee, and I realize from my own observation and experience how prone we are when we get letters from administrative officers to lay them aside and say, "Oh, there is another request for an increased force or increased pay," and I have felt that perhaps you had not the time to consider seriously the several letters I wrote you on these particular matters, as I may have wished you had considered them, not through any disinclination to oblige the Treasury, not because you discredited my judgment, but because you have so many of those things that you become indurated, you become inured to them, and do not have your attention as sharply drawn to them as I tried to do in the letters I sent here and to the Senate Appropriations Committee. So that, I repeat, I did not introduce this aspect of the question here in any controversial spirit.

The CHAIRMAN. I understand that, Mr. Secretary.

Secretary GLASS. Not at all.

The CHAIRMAN. I know you have brought it forth with only the thought in mind of pointing out what you deem is a serious defect.

Secretary GLASS. A serious defect in the activities of the Government that relate themselves to this particular question of a budget and of audit.

The CHAIRMAN. So far as my service on the Committee on Appropriations is concerned, until this year it was always as a member of the minority. I was for a number of years a member of the subcommittee on the legislative bill that carried the appropriations for the

stituted, are composed of seven Members, two and five. We have an expenditures committee that has jurisdiction of the question of the increasing of the salaries of the employees of each department of the Government. Now, a suggestion has been made to us that we make a change in that, and do away with all the expenditures committees and appoint one real expenditures committee composed of, say, 21 Members. Now, you realize, I am sure, as I do, and I think every Member does, that if you take some one in the Treasury Department and let him bring out a comprehensive bill increasing the salaries you suggest, unless the chairman of this committee and the former chairman of the subcommittee, Mr. Byrns, and others had a good deal of information on the subject they would be the first to jump on it and beat it. It has only the backing of a small committee. After you have been assigned to some other committee, you are put on that to fill up. It has not been the custom since I have been here for these committees to assume their duties and perform them. But I believe that if you could discontinue all the expenditures committees, and then create a committee in the House of 21 Members, the duty of which would be not only to look into the salaries but also into the method of expenditures and the efficiency with which you are doing the work, you would be able to come before these gentlemen and give them a comprehensive statement, such as you have here, or probably a more elaborate one, and you would get relief.

Mr. BYRNS. I may say, too, in carrying out the suggestion made by the chairman of this committee, and also of the Appropriations Committee, the legislative subcommittee of which the present chairman of the Appropriations Committee, Mr. Good, is a member, realized the difficulty suggested by the Secretary with reference to a great many salaries. As has been stated, when efforts were made to increase a few of them, usually there are one or two men on the floor of the House who, perhaps without any investigation or without any knowledge of the subject, always make the point of order; and, of course, not being authorized by law, the Chairman of the Committee of the Whole is compelled to sustain it.

This reclassification commission has been authorized which has under consideration with a view of reporting some legislation, perhaps, which may do justice to this particular class of employees you mention.

Secretary GLASS. We hope so. And I shall say to the committee that in view of the fact that the reclassification commission is at work, I have quite studiously refrained from making suggestions of increases until the commission shall have completed its labors.

Mr. GARNER. Mr. Secretary, it has been the subject of discussion, especially in the cloakroom, how it is that the number of employees in the District of Columbia has held up since the armistice was signed to the extent they have. If you take reports that apparently are authentic, in the month of July this year there were more employees in the District of Columbia in the service of the Government than there were when the armistice was signed November 11, 1918. Now, what the necessity for them is has been a matter of wonder to everyone whose attention has been brought to it.

Secretary GLASS. Well, I am endeavoring to find out about that now.

Mr. GARNER. Well, I wish you every success.

Secretary GLASS. I have been amazed to learn rather more or less definitely (not exactly what you say) that at a recent date the net decrease in the number of employees of the Government in the District of Columbia since armistice day was only about 2,600.

Mr. GARNER. That is something that is beyond my comprehension.

Secretary GLASS. And with a view to ascertaining definitely and accurately what are the facts, I have instituted an inquiry, and I shall pursue it and I shall do everything that I reasonably can do, that I have any right to do as one of the Cabinet officers, to bring the situation to the attention of the President.

The CHAIRMAN. Now, Mr. Secretary, you have referred to the letters written to the chairman of the Committee on Appropriations, who happens to be the chairman of this committee, which reference seemed to indicate that no attention was given to them. Let me call to your attention this fact, that the chairman of the Committee on Appropriations realized that if he attempted either during the time the third deficiency bill, or the sundry civil bill, or the first deficiency bill were under consideration to take up the items to which you directed his attention, a raise in salaries in those divisions would have brought about a request immediately, forthwith, from every department of the Government just at a time when a reclassification commission was at work on this very problem and when it was compelled to report within three months, and it seemed to the chairman that it was a problem of such stupendous size that the committee could not attempt to deal with it and that we would have two organizations, the Committee on Appropriations and the Reclassification Commission, trying to work out the same problem. I assure you your letters were very carefully considered by the committee and we realized the situation, but inasmuch as this Reclassification Commission was working and in view of the situation, it seemed to us that there was nothing to do but to wait until the report was forthcoming in December, and that was the only reason that action was deferred or that was the principal reason that the action was deferred.

There was, of course, the thought in the minds of the committee that has always been in the mind of the former chairmen of the committee that, as a general rule, the committee did not have jurisdiction of the question of raising salaries and that that matter had to be brought out in a bill.

Now, I want to call your attention to this: You speak about the work being behind. Of course, the work of auditing of the various departments, as a general rule, is behind. That has always been the case. I was looking over the hearings of 1912 and 1914, and complaint was made then that the work was behind. But this year the

according to the estimates that came in last year, it has not increased at all, because the estimates are at the old figure.

Secretary GLASS. Yes; but the expanded activities of the Treasury Department you must know, Mr. Chairman, are very great.

The CHAIRMAN. I understand that; I realize that. I realize that some of your divisions were very small compared with your present organization, but the activities of some of the divisions are practically the same according to the demands that came in last year.

Secretary GLASS. But I am sure that you and other members of the committee will admit that, regardless of the percentage of increase of the appropriation made, you want the Treasury Department to function efficiently and you want it to function promptly.

The CHAIRMAN. Yes.

Secretary GLASS. And we can not do it without a sufficient force.

The CHAIRMAN. Now, Mr. Secretary, take another angle of it. It has been stated by practically every man who has come before the committee, from the executive viewpoint as well as from the viewpoint of the student and writer, that the various executive departments estimate for more money than they expect to get. I suppose that is true in the Treasury Department. Is not that true?

Mr. LEFFINGWELL. They do not estimate for nearly what they need. They estimate for more than they expect to get, because long experience has taught them that.

Secretary GLASS. I suggested that in my formal statement, and I learned as a member of the House to expect that would be done.

The CHAIRMAN. Last year your total estimate was \$22,800,174.88 and you got all of that except practically \$2,000,000, and you admit you estimated more than you expected to get, so Congress can not be blamed very much for cutting down your estimates, because you apparently got all you expected to get.

Mr. LEFFINGWELL. Mr. Chairman, you understand the situation. The Treasury has got to handle the public debt which to-day amounts to more than \$26,000,000,000 and which at the outbreak of the war amounted to merely \$1,000,000,000. They have to handle in the auditor's offices a number of checks which ran as high as 150,000 a day at one time and are now running 50,000 a day. Now the auditing of those checks requires an enormous amount of physical labor by an enormous number of persons who must be educated, honest, and intelligent.

The CHAIRMAN. Certainly.

Mr. LEFFINGWELL. And with the scale of salaries established for the auditor at \$4,000, or for the chief of the Division of Loans and Currency at \$3,500 or for the Assistant Treasurer of the United States at \$3,600, it is utterly impossible to man the divisions of the Government charged with the stupendous responsibility, all the more so because they have to conduct their work under physical conditions which are wholly grotesque, divided up in buildings all over the city of Washington, the Register of the United States traveling about from one building to another and the chief of the Division of Loans and Currency doing the same thing, auditors here and there, and it really, if I may say so Mr. Secretary, makes me ask not why the thing has happened, but how we can change it before some serious catastrophe occurs.

Mr. GARNER. Mr. Secretary, you say you do not come here in a controversial form of mind but I want to have a controversy with you about your suggestions.

Secretary GLASS. That is interesting.

Mr. GARNER. Especially about your suggestion with reference to the limitation that Congress has put on itself. Now, if I gathered from your statement correctly, your suggestions were that Congress should put limitations on itself to this extent, that proposed new expenditures, that, is new laws carrying with them necessary expenditures or appropriations in connection with the law should, of course be in a separate bill other than the budget.

Secretary GLASS. Aside from the budget bill, yes.

Mr. GARNER. And also that Congress should place upon itself a restriction with reference to the increasing of the budget that is sent by the executive branch of the Government to the Congress. I call your attention to this condition that would develop in American politics as I see it. For instance, in the course of your investigation of the activities of the Government you come across a bureau that you do not think is necessary for the conduct of the Government and you do not send a bill to Congress for that. Now you are going to undertake to form the policy of the Government and deprive the Congress of the right of expressing its opinion as to the policy that should be followed by the Government, as I see it. I see these gentlemen on my right shake their heads, but I say that would be the effect of it. Here the Congress has passed a law, we will say for which it requires to administer that law \$2,000,000, and the Secretary of the Treasury through his budget staff comes to the conclusion that it is not necessary, and, therefore, he does not send in an estimate for it. Now I, as a Member of Congress, and may be a majority of the House of Representatives, would disagree with the views of the Secretary of the Treasury as to the necessity for that in that particular instance and they would want to restore the appropriation, but you would say you can not restore that, gentlemen, unless you get two-thirds to sustain you. Is that correct?

Secretary GLASS. No; it is inconceivable to me that an administrative officer of the Government would undertake to abolish bureaus or departments established by the Congress in that arbitrary fashion by simply failing to make an estimate for them.

Mr. GARNER. Well, the larger proportion of suggestions that have been made to the committee, I think, so far as my memory goes, have been that this new creation of a budget committee should not only look into the duplication and overlapping and efficiency, etc., but should recommend to Congress the policy that should be pursued with reference to the various bureaus in the Government. To illustrate, suppose you are looking into the question of, we will say the appropriations for public roads, which you probably know is somewhat under discussion. The Treasury Department might determine that, we will say, \$25,000,000 was a sufficient amount to carry on the conduct of that business. Congress by a majority might decide it required \$100,000,000 or, for that matter, \$200,000,000 and I have heard it suggested \$500,000,000. Now, it seems to me that the House of Representatives in determining the policy of the Government ought not to deprive itself of the right by a majority



vote to say whether they will appropriate \$500,000,000 or \$200,000,000 or \$100,000,000.

Secretary GLASS. It does not under the plan I suggest.

Mr. GARNER. That is the reason I asked the question.

Secretary GLASS. They go in a separate bill. If you should want to increase the appropriation for public roads, do it and levy a tax.

Mr. GARNER. Now, in my judgment, if you adopt that plan you would have this condition in the House of Representatives: You would have what is known as a presidential budget sent in and considered with a rule that you could not increase or put in new matter.

Secretary GLASS. Except by a two-thirds vote.

Mr. GARNER. Except by a two-thirds vote, and then you would have another bill that would come into the Congress from the same committee carrying another budget which would include a number of items.

Secretary GLASS. Well, would not that very clearly indicate to the country whether or not the executive or the legislative branch of the Government was responsible for the increase in that particular item?

Mr. GARNER. That probably would, but you would also have a controversy with the—

Secretary GLASS. But on the contrary, Mr. Garner, what would an Executive budget be worth if the Congress is going to exercise the unrestricted right which it now has of tearing it to pieces?

Mr. GARNER. Well, it would be worth this much, Mr. Secretary: To-day the people of the United States do not discuss the recommendations of the Executive branch of the Government as to the amount of money necessary to run the Government. You do not hear any discussion of that in the magazines, newspapers, or otherwise, but if you had some system by which the President of the United States over his signature would say to the Congress of the United States we need this much money and no more for purposes of running the Government but we need this much; now if the Congress came along and gave more money for running the Government in each congressional district in the United States that would be an issue, and there is no such issue in each congressional district of the United States as I see it.

Secretary GLASS. That hereafter in my belief is going to be an issue in each congressional district.

Mr. GARNER. Well, let us hope so.

Secretary GLASS. It seems reasonable to say it is inevitable, because heretofore we have had a system of indirect taxation when the average citizen did not know when or how he was paying his tax, the only exception being an internal tax upon such commodities as whisky and tobaccos and articles not regarded as necessities of life; but under this system of direct internal taxation that we have and must have for years to come, where the burden is felt and understood and where it hurts, the people more than ever are going to make an issue of expenditures.

Mr. HAWLEY. Mr. Secretary, under your suggestion would this happen: Congress has passed what is known as the Shackleford Act making appropriations of so much each year, increasing in amounts, for the construction of public roads. Suppose in making up this budget in your office you should decide the condition of the Treasury

would not warrant the expenditure of \$75,000,000 for roads in this year provided in the act, would you think your budget staff should have the power to recommend only \$40,000,000?

Secretary GLASS. What would happen in that instance I think is, that the Congress having already adopted the policy of constructing public roads and having very definitely provided how the expenditure should be made and the amount of the expenditure, no Secretary of the Treasury would assume to say it should not be done.

Mr. HAWLEY. Then in your plan the Secretary would estimate the full amount for all appropriations for which the law specifically made provision, stating what they should be each year?

Secretary GLASS. I should think so.

Mr. CAMPBELL. Just as estimates are now made for public buildings.

Mr. GARNER. There is another illustration I think may be made, Mr. Secretary, to draw your attention to it. Congress created what is known as a Bureau of Markets in the Agricultural Department. That bureau has gone from a few thousand dollars, my recollection now is, to two or three hundred thousand dollars, has it not?

The CHAIRMAN. Nearly three million dollars.

Mr. GARNER. Now it seems to be the disposition of Congress to increase the functions of that bureau so as to bring the producer and consumer together in a more economical manner, and I am free to say that it has appealed to me, if it can be wisely and efficiently administered. I think it is a function of the Government that will produce good to the American people. Now you send an estimate to Congress for \$3,000,000, we will say, for that bureau, and it may be that a majority of Congress desires to increase that to four or five million dollars in the direction I have just mentioned. Now we have to go, under your suggestion, with three millions and go to the same committee and come back into the House with one or two millions more for that particular bureau.

Secretary GLASS. Well, what information would Congress have bearing upon the advisability of spending the money for that particular bureau that a budget officer would not be given by the head of the Agricultural Department, who is a member of the Cabinet?

Mr. GARNER. I suppose he would get the same information and upon that same information he might arrive at a different conclusion. There is the whole crux of it, as I see it.

Secretary GLASS. The difference is that the conclusion arrived at by the finance minister of the Government upon representations made to him by his colleague in the Cabinet and his expert assistant would be quite as definite as the committee of Congress could get on the same subject, and it would be instantly related to the question of the importance of other projects proposed by other departments.

Mr. GARNER. Now there has been suggestion made by various gentlemen appearing before the committee that there should be two budgets sent to Congress, the budget that is now sent to you, for instance, from the various departments, and you, after thorough consideration through your organization, reduce it like Mr. Loringwell says they do in Congress now, because they may send you more than they expect to get from you—what do you think about that suggestion that Congress have before it the requests from the

various departments of the Government and also have what is known as the Executive budget?

Secretary GLASS. Well, I should think there would be no trouble in the world about supplying Congress with a statement of requests made by the various heads of departments and there would be no difficulty about having the Secretary of the Treasury, if he should be the chief budgetary officer, come before the Appropriations Committee and explain in detail just why a reduction was made in an estimate or why an estimate was increased.

Mr. GARNER. But it has been suggested, Mr. Secretary, and I think you having been a Member of Congress, will realize the force of it, that if you permitted this double budget to be sent in finally Congress, being human beings, being more or less in touch with the bureaus of the Government, would cast your recommendations aside and they would continue to take the recommendations of the bureau chiefs, etc., and they would have greater power than you have with reference to those matters.

Secretary GLASS. Then you would assume the responsibility.

Mr. GARNER. I say we would assume the responsibility.

Secretary GLASS. But you would have the executive budget agreed upon by the finance minister of the Government and approved by the President and for which the President would be responsible. Now if Congress would prefer to take the unrestrained estimates of the respective members of the Cabinet, why then Congress would have to assume that responsibility.

Mr. GARNER. Well, realizing that Congressmen are human beings and liable to be influenced, I would prefer that one budget alone be sent and that is the one known as the executive budget. We will know nothing about what the various bureaus think and say about it. Therefore, if the Executive will issue rules and regulations to the bureaus that if they ask for more than they need the Government will kind of look after them——

Secretary GLASS. I can not imagine there would be such a thing as two budgets. One would be a budget and the other simply information in detail upon which the budget was compiled.

Mr. GARNER. There has been a good deal of testimony before this committee as to where this should be located, whether it should be in the Treasury Department or whether it should be immediately under the President, and there have been given it seems to me very good reasons on both sides of the question. The principal suggestion that has been made, as I remember it, as to the putting of it in the Treasury Department is that you will necessarily have to deal—speaking of you as the Treasury Department—with your brother Cabinet members in the preparing of your budget and that you naturally want to be on good terms with them as far as possible and probably you would be a human being, and that you will be able to get a better service where it comes direct from the President, from his executive officer, we will say, whose duty it is to look into your department, into the Agricultural Department and other departments, and report to the President the condition, and then if you disagree with him it would be for the President to determine that particular question, whereas, if it is placed in your department, if you disagree with a Cabinet member, one of your associates, then the President would have to decide between two Cabinet ministers,

which would be a rather embarrassing thing. Those suggestions have all been made, and I say frankly to you that they have appealed to me as one member of the committee very strongly in favor of the President controlling the matter in his office, fearing the result of friction and courtesies existing between Cabinet ministers as to their respective views.

Secretary GLASS. Well, I do not think any well-bred Secretary of the Treasury would feel disposed to be either discourteous or disobliging to his colleagues, but it seems to me that the Secretary of the Treasury who would considerately deal with public problems would always have in mind the fact that he is the officer charged with the burden, and I can assure you gentlemen that it is not now a very simple or light responsibility, the burden of raising the money to meet public expenditures, and he would not hesitate to apply the pruning knife wherever it was desirable to do it. He would not hesitate to debate freely with his colleagues the relative importance of the projects presented for consideration.

I do not mean to say that the decision of the minister of finance would be final. I should think that Cabinet officers would have the right of appeal to the President, and the President in the last analysis would be responsible for the executive budget and he would have the last say in the matter. I grant you that the President ordinarily would be more disposed to side with the minister of finance, who has a more intimate knowledge of the financial requirements of the Government and of the methods of raising the revenue and the probabilities of raising the revenue—he would be more disposed to decide with the Secretary of the Treasury than he would with the head of any other department, but that fact would not divest him entirely of wise discretion, and I think he might have to arrive at a reasonable conclusion upon the controverted questions.

Mr. GARNER. Mr. Secretary, I will ask you one more question and then I will not bother you.

Secretary GLASS. You are not bothering me.

Mr. GARNER. It has been suggested that a law be passed compelling the Cabinet ministers to appear before the House of Representatives at any time the Congress may direct to explain to Congress the necessities of their respective departments in the formation of the budget. Now from your experience in Congress and as a Cabinet member what is your judgment as to that policy?

Secretary GLASS. Well, it would resolve itself, in the last analysis, into this, that the Cabinet ministers would come in person and each to the extent of his knowledge of the affairs of his department and to the extent of his ability would explain the general policies of his department; but he would have to bring along with him the technicians and the experts and they would have to explain to the committee.

Mr. CAMPBELL. This was not to the committees; this was on the floor of the House.

Secretary GLASS. I misunderstood the question.

Mr. GARNER. I was talking about on the floor of the House of Representatives. Put on the statute books a law compelling the respective Cabinet officers to appear on the floor of the House when their budget is up for consideration and the appropriation for the department, and to give such explanation as the Congress may desire touching the requests they make.

Secretary GLASS. Well, it would be a very agreeable service for me.

Mr. GARNER. Well, Mr. Secretary, there is a law on the books now where Congress can ask you to come before it, unless that law has been repealed. It was passed in 1789, I think. Somebody dug up a statute where we have that right as far as you are concerned but not as far as the other Cabinet officers are concerned.

Secretary GLASS. If Congress would enact that law it might relieve me somewhat, as I should not have to devote all my time to executive affairs but could take some. I have considered that somewhat. That suggestion has been made frequently by a former colleague of mine, Gov. Montague, of Virginia. It would involve, perhaps, a great deal of controversy. If you were to confine the thing to an explanation it might not involve so much of a dispute, but if you mean an explanation and defense it would involve a great deal of controversy and it would require the selection by the President of perhaps quite a different type of men to compose his Cabinet than the men who have ordinarily been Cabinet officers.

Mr. CAMPBELL. It would give Congress a chance in the Cabinet.

Secretary GLASS. Yes.

Mr. GARNER. That has been one of the principal reasons that has been given for it, Mr. Secretary, that it would cause the President in selecting his Cabinet to consider the responsibilities in that particular, and it would especially cause the Cabinet officers to give attention and consideration to the details of their respective bureaus and the functions of their administration, which some have suggested does not exist now, or has not existed particularly in some departments.

Mr. CAMPBELL. Mr. Secretary, you have just made a suggestion that appeals to me with respect to the Cabinet officers defending their departments. I think the Cabinet officers would probably be more careful in the exercise of the discretionary powers they have if they had to defend on the floor of the House whatever action they had the discretion of taking.

Secretary GLASS. I think that would inevitably follow. They would be cautious in making their estimates. In other words, if I had to come upon the floor of Congress and defend a Treasury estimate, before sending the estimate I should summon the experts of the various departments and make them defend me.

Mr. GARNER. That is it exactly.

Mr. CAMPBELL. Do you think, Mr. Secretary, that that would inaugurate an era of efficiency and also of economy?

Secretary GLASS. Yes; and of polemics at times, and of bad feeling, too.

The CHAIRMAN. It would bring the patronage power of the President into play very prominently, would it not, in all appropriations; that is, it would not do for a member of the same political party that the President belonged to to oppose very seriously any appropriation he is asked for, no matter if he thought it was not necessary?

Secretary GLASS. Well, that is very rarely done, anyhow.

The CHAIRMAN. Oh, I think it is. I think Mr. Fitzgerald and Mr. Sherley were as fearless in most instances with regard to the estimates that came from President Wilson as they were with regard to the estimates that came through President Taft.

Secretary GLASS. Yes; I think they were pretty good watchdogs.



Mr. CAMPBELL. But the principal of the budget carried to its legitimate ends would obviate the odium that might attach to appointments made on suggestions of members of Congress to the Executive. The budget is made on its merits and the presumption would be that the appointments would be made on their merits.

The CHAIRMAN. Mr. Secretary, formerly the members of the President's Cabinet appeared before the Committee on Appropriations in connection with their estimates. That practice has fallen almost into disuse for the last few years, and I think it is largely because, as a general rule, most of the Secretaries did not know the details of their establishments. They came before the committee and gave a general statement and when interrogated they had to turn to the chief clerk or some one in the division who practically answered all the questions. Now, it seems to me that Cabinet officials ought to be placed on a probationary period and after showing efficiency before the Appropriations Committee and showing that they had analyzed and knew their estimates, then it might be time to consider the question of giving them some additional opportunity by putting them on the floor of Congress.

Secretary GLASS. But whenever you have given them a realization that Congress is going to send notice to them that day after to-morrow they are to appear on the floor of the House for the purpose of sustaining the estimates they have sent to Congress for the appropriation for conduct of their affairs, they would be prepared for that day, because there is the public eye on them, whereas in a committee room like this there is not the publicity given to their want of knowledge that there would be on the floor of the House.

The CHAIRMAN. Well, you bring a Cabinet officer on the floor of the House—suppose the Secretary of the Treasury is brought on the floor of the House to defend his estimates, where are the Members who would commence to interrogate him? Not the members of the Appropriations Committee who knew about it, but it would be gentlemen from some locality who wanted to get into the limelight, who is accustomed to it.

Secretary GLASS. And they might ask him a question about some totally inconsequential item in the budget with which it might not be expected the Secretary of the Treasury would be familiar.

Mr. GARNER. We could cover that by rules of the House that he should only answer such questions as might have been served on him through the record. For instance, that you are to appear day after to-morrow on the floor of the House concerning the estimated of your department and you will only be required to answer such questions as are sent to you under the rules and no other question will be asked you on the floor of the House. So the gentlemen could not get in the limelight by that method.

The CHAIRMAN. On February 28, Mr. Mann made some remarks on the floor of the House that I think expressed the opinion of most Members of Congress, when he said:

If the Cabinet members now were admitted to the floor of the House on an appropriation bill this side would be inert. It would be completely dominated by the Cabinet officers.

That side of the House, the minority side of the House, would do nothing to back them. (Applause.) If a Cabinet officer came in there to explain the situation now, under the existing administration, with no power or responsibility, the Republican side of the House would ask them all the questions human ingenuity could devise.

which they could not answer, and the Democratic side of the House would do whatever they told them to do. (Applause.) If they did not, the Cabinet officers would be discredited, but not removed—

And so forth.

Mr. GARNER. You take all that out of it by making the rule that he would not be required to answer any questions except those served on him.

The CHAIRMAN. That is exactly it, if you asked only as to the details. But when that was suggested to Mr. Taft he said he would have to have with him, of course, the head of each department and the chief clerk. Now take the Treasury Department with 20 bureaus or more, and big bureaus, he has to have a body larger than the Committee on Appropriations sitting around him so he could intelligently answer the questions, because it would not be within human ingenuity for any Secretary of the Treasury to answer the questions that would be propounded about all the details of the 31,000 clerks under him.

Secretary GLASS. He would have to be a human encyclopedia.

The CHAIRMAN. Certainly.

Mr. BYRNS. And it would lead to discussion on the floor of the House that would take two or three weeks with each Secretary.

Mr. CAMPBELL. They get on very well in England and in Canada.

Secretary GLASS. There is a difference. The Cabinet ministers there are the Government and they must retain the confidence of the Parliament or retire. It is a different method.

The CHAIRMAN. Now, Mr. Secretary, let me see if I understand the proposition you have submitted. In the first place you would have the Secretary of the Treasury collect the estimates and submit a tentative budget to the President; the President would transmit it to the Congress, you would give the Secretary of the Treasury power that he does not have now, and that is to reduce, to increase, to consolidate, and work of that kind that he ought to have now.

Secretary GLASS. Yes; and to assemble all of the estimates of the various departments and make such alterations in them as by comparison with the prospective resources of the Government he thinks should be made.

The CHAIRMAN. At present he has no power except to receive, index, print, and transmit.

Secretary GLASS. Yes.

The CHAIRMAN. And you have one man, as I remember, who indexes and arranges, and that is practically all you do except to transmit to Congress. That is the only power you have over the estimates now?

Secretary GLASS. That is all.

The CHAIRMAN. Except the estimates of your own department.

Secretary GLASS. Yes.

The CHAIRMAN. Now, as I understand you, so far as the accounting provisions are concerned, you do not feel there ought to be any change in so far as it would take from the Treasury Department the comptroller, the six auditors, the Accounting Division, and placing that in an independent establishment.

Secretary GLASS. I see no reason why that should be done, and I see a good many reasons why it should not be done.

So far as the independence of the comptroller and auditors are concerned, they are as completely independent as officers of the

Treasury as it is possible for them to be in any circumstances. Their decisions are final and binding. So far as I know and so far as I can learn or believe, no Secretary of the Treasury has ever suggested to a comptroller or an auditor what his opinion should be on any problem with which he had to deal. The Comptroller of the Treasury and the auditors are just as absolutely independent as it is possible for public officers to be in any circumstances. Their decisions are observed by all. As I stated, they are implicitly relied on and observed, even when they are contrary to the wish or judgment of the Secretary of the Treasury himself.

The CHAIRMAN. It has not been infrequent, Mr. Secretary, that auditors, when they come before Committees on Appropriations, have quietly advised the members of the committee with regard to things that ought not to be, where they would like to criticize, but they say they do not have the freedom to do it. That is a frequent occurrence. They will not give the facts and do not want to give the facts for the record, and they are not pressed, because they have ventured it with the feeling that members of the committee are only human and they will not ask them to do something against their will that might reflect on some officer in one of the executive departments.

Now, it has been pretty strongly presented to the committee that if we had in the United States a system similar to that of Great Britain, so far as the auditor and comptroller are concerned, the Accounting Division—if it was separate, was independent, these men would have a more independent attitude, and when they discovered inefficiency in a department would come freely with the advice to Congress, and the result would be that the official would correct it. My own opinion is, and I have said to auditors at times, that I thought they ought to take that up directly with the division or the department where they found the inefficiency or the duplications. But we all know the hesitancy on the part of some men to do anything like that.

Secretary GLASS. Well, there should not be, Mr. Chairman. No honest or courageous man ought to fear to report any abuse that he encounters. He ought to do it without any sort of hesitation or fear.

The CHAIRMAN. Do you think the budget, Mr. Secretary, ought to be retained in its uniformity and presented to the House by one committee after it has been construed, instead of being divided among several committees?

Secretary GLASS. Yes; I do. I believe that very profoundly. I have always believed that. Without professing to know a great deal about a budget and totally disclaiming any expert knowledge of the problem, as a member of the House I always wondered why that was not done, and I believe it ought to be done. Now, if you ask me if I believe that is a practical issue, whether I believe it will be done, I am frank to say that I can see some obstacles in the way of bringing it about.

The CHAIRMAN. Now, Mr. Secretary, I have in my desk a volume of the debates on the British budget. I have been reading it during the past few days, and as I read it I am impressed with this fact: that when the budget reaches Parliament in Great Britain the debate centers around the financial problem of the country. It is a great debate. In the Congress of the United States we never see the picture—

Secretary GLASS. It is not a debate at all.

The CHAIRMAN. We never see the picture. Here are nine different committees painting the picture, and one committee does not see what the other is painting, and at the end of the session the chairman of the Committee on Appropriations puts the several parts of the picture together and the next day after Congress adjourns, as a general rule, Congress is advised what it has done.

Secretary GLASS. That is a very accurate description of the situation.

The CHAIRMAN. In respect of the financial problem in the British Parliament they know right at the beginning, and that knowledge guides them not only in appropriations, but it guides them in all their legislation of authorizations which mean appropriations in the future. It is a sort of a star to guide the entire Parliament through its whole proceedings. We have nothing of that kind in the United States, and whether we can bring about a reform by having all appropriation bills considered by a large committee, by bringing in men from the Post Office Committee and making them members of the committee, men from the Military Affairs Committee, having them make up a part of the committee, etc., or whether or not the bills should be distributed to those committees and they should report to a central committee which should make up the picture and then report it to Congress. It has seemed to me that the obstacles, after all, are not of that serious character—at least I hope they are not of the serious nature that you infer.

Secretary GLASS. I could well hope so, sir.

The CHAIRMAN. It seems to me the benefit to be obtained is so important, the advantages so great, that we simply must do something to bring about that result.

Secretary GLASS. Why, how often is it the case that you walk upon the floor of the House when an appropriation bill is under consideration in the Committee of the Whole and find nobody there but the members of the committee themselves discussing items? How often have I encountered Members coming out of the House who would say this or that appropriation bill is up and "I have no interest in it." Whereas were you to present a budget comprehending all of the appropriations, the whole membership of the House would be interested in it and would be there, and we would have the same great debate that they have in the British Parliament.

The CHAIRMAN. I agree with you.

Mr. TINKHAM. Mr. Secretary, you are in favor of substantially holding the present auditing system as it is, as I understand your position?

Secretary GLASS. No; I did not say that. I said that the auditing system ought to be consolidated into a centralized system.

Mr. TINKHAM. In other words, you think the present system of presidential appointment of several departmental auditors who, as I understand to-day, with the exception of one man, originally knew nothing about accounting or auditing, is not sound?

Secretary GLASS. Well, I should not think any system would be sound that would make an auditor of a man who is not an auditor.

Mr. TINKHAM. Well, that has been done, has it not? There was testimony here that only one of your auditors, the head of a department under your charge, who when he came there was an auditor or

an accountant or, presumably, knew anything about accounting or auditing.

Secretary GLASS. I should be glad if Mr. Leffingwell would respond as to that.

Mr. LEFFINGWELL. The situation is as you have described. The auditors have been appointed by each administration throughout the history of the Government.

Mr. TINKHAM. It has been political patronage.

Mr. LEFFINGWELL. And with the war on our hands these underpaid short term offices can not to-day be filled with competent, trained auditors, and this Secretary of the Treasury and Secretary McAdoo——

Mr. TINKHAM. Well, how was it before the war?

Mr. LEFFINGWELL. They could not have been filled. You can not get a man to sacrifice his career, if he is a good auditor, a great auditor—to sacrifice his career as an auditor for four years, much less for two years or 18 months, in an office where he is overburdened with work, undermanned and loaded down with responsibility, and the Secretary has suggested, if I get his suggestion correctly, much on the line of the bill which I think was prepared by the chairman of this committee, that the work of the auditors should be consolidated, rolled into one, that there should be one auditor, who should be called the comptroller. And I think there is no difference between the Treasury and the suggestion in that bill in that respect, except the Treasury is inclined to the view that the comptroller be made permanent and removed from political life, and he would probably function more efficiently and independently if he had the support and administrative supervision of the finance minister of the Government whose primary concern is to pay the bills and if they are extravagantly incurred or the money wastefully expended, he suffers. The responsibility is his. I think that is the only difference.

The Secretary also has recommended that the auditors should not as now merely ascertain whether the expenditures were made regularly and legally under this or that appropriation made by the Congress, but he should also determine whether there has been duplication of expenditure, or extravagant expenditure.

Secretary GLASS. Unwise expenditure.

Mr. LEFFINGWELL. In other words, that the audit should be extended to the point of an audit by any business company to enlighten the board of directors—in this case Congress and the administration as well—as to the effectiveness of the expenditures when made.

Mr. GOOD. Would you give the auditor the power to reject an account simply because the expenditure had been improvidently made, or was a duplication?

Mr. LEFFINGWELL. That is not practicable, because the Government must pay its bills; but the auditor should have the power which he does not have and which you, Mr. Chairman, were suggesting that some of the auditors feared to exercise, of commenting freely, in public reports to Congress and to the Treasury, upon the methods employed in the bureaus and departments, including the Treasury.

Mr. TINKHAM. That it should be his duty.



**Mr. LEFFINGWELL.** That it should be his duty as well as his free privilege.

**Mr. TINKHAM.** As I understand, your opinion is that the budget should not be changed except by a two-thirds vote on the floor?

**Secretary GLASS.** Not that it should not be changed, but that the items should not be increased, except by a two-thirds vote.

**Mr. TINKHAM.** But by a majority vote it might be decreased?

**Secretary GLASS.** Yes.

**Mr. TINKHAM.** Is it your final opinion that Cabinet officers should take the floor of the House when the budget is under debate?

**Secretary GLASS.** I have no conviction on that subject. It is a question that I have not fully considered. I merely said that during the balance of my term it would be a great relief to me if I might have that privilege.

**Mr. TINKHAM.** Can I ask you flatly, whether you have any opinion or not on that suggestion?

**Secretary GLASS.** No opinion that would be valuable to this committee.

**Mr. TINKHAM.** I think you suggested that if the Secretary of the Treasury was made the budget controller or budget officer or director, certain departments would have to be transferred. Did you indicate what departments of the Treasury Department and of the services should be transferred, or not?

**Secretary GLASS.** Yes; I did.

**Mr. TINKHAM.** If you did, you need not repeat it.

**Secretary GLASS.** I suggested that the War Risk Insurance Bureau should be transferred and that the Public Health Service should be transferred, certainly, and perhaps the Supervising Architects' Office.

**Mr. TINKHAM.** How about the Federal Farm Loan Bureau?

**Secretary GLASS.** That is a financial bureau which by law is related properly and intimately to the Treasury, and of which the Secretary of the Treasury is the chairman.

**Mr. TINKHAM.** The Bureau of Engraving and Printing would stand upon the same general principle?

**Secretary GLASS.** Yes; it is peculiarly a Treasury activity.

**Mr. LEFFINGWELL.** That is essential because of its control of the paper upon which our currency and bonds are printed.

**Mr. TINKHAM.** How about the Coast Guard?

**Secretary GLASS.** I have just had the Coast Guard transferred back to the Treasury Department from the jurisdiction of the Navy, by Executive order, because it is so essential to the service of the Treasury.

**Mr. TINKHAM.** And the General Supply Committee; what have you to say about that in this connection?

**Secretary GLASS.** As far as I have reached conclusions about the bureaus and divisions of the Treasury, I have definitely stated here that I think the War Risk Insurance Bureau and the Public Health Service should certainly be transferred, and possibly the Supervising Architect's Office, although there is perhaps a better defense for having that located in the Treasury than the other two services that I have mentioned.

**Mr. BYRNS.** The General Supply Committee is the purchasing bureau of the Government?

Mr. COOKSEY. It is the contracting bureau. It ought to be the purchasing bureau also.

Mr. BYRNS. Now, Mr. Chairman, I want to ask the Secretary to amplify upon what he said with reference to just where this so-called budget bureau should be located—that is, whether it should be directly under the Executive and responsible alone to the Executive, or whether it should be under the Secretary of the Treasury, with the duty devolving upon the Secretary of the Treasury to revise the estimates and report to the President.

Secretary GLASS. It is my considered judgment that it should be under the Secretary of the Treasury, and I am just as thoroughly convinced it should not be in the office of the President.

If placed under the jurisdiction of the Secretary of the Treasury, the controversies, if any, that might arise would be between men of equal official rank; between members of the President's Cabinet whereas if it were an office in the office of the President, the controversies would be between Cabinet ministers and an officer of lesser rank; and I should say, with absolute surety of conviction, that in disputes of that sort, in differences of opinion of that kind, the President might be expected to side with his Cabinet officers nine times out of ten against the budgetary officer, because those questions of difference would involve questions of governmental policy, and the President would be prone to believe, naturally, that the head of a department, selected from all the country with a view to his peculiar fitness, was better able to determine large questions of policy than a mere statistician or professor of economics, or expert accountant.

If the matter were confided to the Secretary of the Treasury, and it is peculiarly a Treasury matter, why, he would certainly be on a plane of equal rank with any disputant, and could more readily prevail with the President to sanction the curtailment of an estimate than any budgetary officer at the head of an independent bureau.

Mr. BYRNS. I just wanted to ask this: The question really has answered itself. I wanted to ask as to what would be the natural general attitude of Cabinet ministers whose estimates had been revised and reviewed to a point that they thought they ought not to be reviewed, with respect to a difference between one of his colleagues of equal rank, as you say, and a difference between somebody who was appointed because of his ability and knowledge?

Secretary GLASS. In the one instance he would feel in some degree humiliated. In the other, he would feel that an official of equal rank specifically charged by law with doing the very thing that he had done, had overcome his contention, and a man of reasonably good temper and good sense would submit gracefully.

Mr. BYRNS. But, as you have suggested, there certainly would be far less embarrassment on the part of the President in siding with the Secretary of the Treasury in an instance of that kind?

Secretary GLASS. There certainly would be.

Mr. TEMPLE. There is one question exactly on that point that I would like to ask, Mr. Secretary. You say if the budget bureau was in the Treasury Department, then the controversy would be between men of equal rank, that is between the Secretary of the Treasury and his colleagues. You assume, therefore, that the Secretary of the Treasury would be with the bureau head; that the matter submitted could first have been agreed to by the Secretary of the Treasury?

Secretary GLASS. Yes. I should think that the Secretary of the Treasury would go over in detail with the budgetary bureau all of these estimates, and in that sense they would be the estimates he indorsed when he should present them to the Cabinet meeting.

Mr. TEMPLE. Yes. If that rule was established between the Secretary of the Treasury and the subordinate in his office, so long as the conclusions of that subordinate, when revised by the Secretary, reached conclusions of the Secretary, why would not the same thing work if the head of the budget staff were in the President's office; that the President would assume responsibility, and therefore the controversy would not be between a Cabinet minister and a subordinate, but would be under the supervision of the President?

Secretary GLASS. Because the Cabinet minister whose estimates had been curtailed would not relate the incident to the expert under the Secretary of the Treasury, but he would conceive that the Secretary himself was responsible.

Mr. TEMPLE. In the other case, why would he not hold the President responsible?

Secretary GLASS. He would not, I am sure.

Mr. TEMPLE. If he was unmistakably in the President's office?

Secretary GLASS. As a matter of fact, Dr. Temple, the President of the United States has not the time. It is not his function, and I do not think it could wisely be made his function, to examine the details of a budget system, together with all of the other duties that he has to perform; and if he had that to do, the people of the United States would better elect a statistician or a professor of economics president, rather than a man of broad general statesmanship.

Mr. TINKHAM. Mr. Secretary, you said that recently, by Executive order, you had had the Coast Guard transferred to the Treasury Department. Now, from the Congressional Directory, I read as to the duties of the Coast Guard. [Reading:]

In general, the duties of the Coast Guard may be classified as follows: Rendering assistance to vessels in distress and saving life and property; destruction or removal of wrecks, derelicts, and other floating dangers to navigation; extending medical aid to American vessels engaged in deep-sea fisheries; protection of the customs revenue; operating as a part of the Navy in time of war or when the President shall direct; enforcement of law and regulations governing anchorage of vessels in navigable waters; enforcement of law relating to quarantine and neutrality; suppression of mutinies on merchant vessels; enforcement of navigation and other laws governing merchant vessels and motor boats; enforcement of law to provide for safety of life on navigable waters during regattas and marine parades; protection of game and the seal and other fisheries in Alaska, etc.; enforcement of sponge-fishing laws.

▶ To assist the captain commandant in conducting the business of his office there are established at headquarters the following divisions:

Division of operations: Having cognizance of matters relating to the personnel and operations of the service.

Division of matériel: Having cognizance of matters relating to supplies, outfits, equipment, accounts, and the files.

▶ Division of Construction and Repair: Having cognizance of matters relating to the construction of and repairs to the hulls of vessels and boats, stations, wharves, and all other property.

Division of Engineering: Having cognizance of matters relating to the construction of and repairs to the motive power of vessels and boats and the machinery of all other property.

Division of Inspection: Having cognizance of matters relating to the inspection of vessels, stations, boats, and all other property.

▶ Under the direction of the captain commandant statistics are prepared regarding the loss of life and property on account of wrecked vessels in American waters. He

is also required to acquaint himself, as far as practicable, with all means employed in foreign countries which may seem to affect advantageously the interests of the Coast Guard, and to cause to be properly investigated all plans, devices, and inventions for the improvement of life-saving apparatus for use at the stations which may appear to be meritorious and available.

Now, it seems to me that so far as any fiscal matter is concerned, or any Treasury matter is concerned, there are only the slightest parts of the duties of the Coast Guard which should make it reasonable and proper and logical for them to be under the Treasury Department.

Secretary GLASS. I should be very glad to discuss that with you Mr. Tinkham, when the hearing is had upon the proposition to transfer the Coast Guard to the Navy Department. I am quite prepared to vindicate the necessity of leaving it within the jurisdiction of the Treasury. As a matter of fact, the Coast Guard was primarily organized to prevent smuggling and to protect the revenue of the Government. Congress a few years ago consolidated the Revenue-Cutter and the Life-Saving Services. The primary conception of the guard still remains, and the consolidation was made in order that the two services might be more economically conducted. I do not want to anticipate the argument, if there shall be any argument, before the committee to which the bill was referred, but I am quite prepared to do that at the proper time.

Mr. HAWLEY. Mr. Secretary, suppose that the Secretary of the Treasury should be charged with the duty of preparing the budget—could you do that with your present office staff, or would you need an additional office staff for that particular purpose?

Secretary GLASS. I rather think we could not do it with the present staff, Mr. Hawley. We should need some other staff.

Mr. GOOD. Is there anything further? Mr. Secretary, unless you have some other suggestions to make, that is all, and we are very much obliged to you for the statement that you have made to the committee.

Secretary GLASS. I am very greatly indebted to the committee for the opportunity of coming before them. It is always a matter of personal pleasure to come up and consult with you gentlemen.

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THURSDAY, SEPTEMBER 25, 1919.

### STATEMENT OF DR. FREDERICK A. CLEVELAND.

NOTE.—The statements made herein by Dr. Cleveland were not revised by him.

The CHAIRMAN. Dr. Cleveland, what is your profession at the present time?

Mr. CLEVELAND. Well, for about 20 years I have been engaged in corporation and governmental inquiries at various times; at present about half of my time is given to university instruction.

The CHAIRMAN. You may state to the committee in a general way what your activities have been during the past ten or fifteen years.

Mr. CLEVELAND. Well, I came into this work from a practice of law on the west coast, where there were a great many financial wrecks of the corporation kind and where we had a good deal of that practice.

and through that became interested and drawn into investigative work. From that I undertook specialization, post-graduate work with the university, and then went into the office of a large firm of certified accountants in New York that had about 300 corporation clients, and was there a number of years, during which time I participated in some large reorganizations, such as the life insurance administration, and so forth, and during that time I was drawn into municipal inquiries of several kinds as a member of Mayor McClellan's commission on finance and taxation and administration in New York City, and in that capacity was chairman of a subcommittee on administrative and budget procedure and accounting.

And then I left that work temporarily to take charge of a staff enterprise—a privately organized staff enterprise that undertook to specialize in governmental work and New York municipal service; and I had been engaged there with Comptroller Metz and others in the work of administering the organization and the development of budget procedures and in outside studies where that came in, when President Taft asked me to come down here. We were at work here as a commission; first I was at work from sometime in September until I think it was the 8th day of March, as the head of the preliminary staff inquiries, under Mr. Norton, as Secretary to the President, and having made a report—a preliminary report, suggesting that a commission be organized, in case ample funds were provided by Congress—that is, in conformity with the suggestion—at least, the President requested a continuation of the first appropriation and an addition of \$75,000. This was, I think, made on the 3d of March.

The CHAIRMAN. Of what year?

Mr. CLEVELAND. 1911. And on the 8th of March, I think, he issued his letter organizing a commission and asked me to become chairman. We were here in the capacity—acting as a commission until sometime in the spring of 1913, when the commission became a winding up venture, and after it had been wound up, I went to the New York Customhouse work. I was there until the 1st of January the next year, when I went back again into the more general aspect of the work, the independent staff inquiries, and about three years later I resigned to take charge of a staff that was engaged on some inquiries for a group of industrial corporations. This was continued for about a year, and then I was engaged part of the time down here in Washington in war work and part of the time in municipal and other work, until the present time.

The CHAIRMAN. The commission which you referred to is what is commonly known as the Cleveland Commission, taking its name from the name of the chairman?

Mr. CLEVELAND. Yes, sir.

The CHAIRMAN. You published your report?

Mr. CLEVELAND. There were about 26 reports, all published by Congress, as I recall. They were transmitted to Congress with the President's messages, usually special messages, and about 108 of them altogether were made to the President.

The CHAIRMAN. Then, for the past 15 or 20 years a great deal of your time, if not all of it, has been given to the study and investigation of financial methods?

Mr. CLEVELAND. Yes, sir.



The CHAIRMAN. Either by municipal or National Government or by privately controlled concerns?

Mr. CLEVELAND. Yes, sir.

The CHAIRMAN. Doctor, have you come to any conclusion as to the principles that should govern legislation providing for a financial system in the United States?

Mr. CLEVELAND. Yes; I think I have, Mr. Chairman, although those are contingent conclusions.

The CHAIRMAN. We shall be very glad to have you make a general statement defining the conclusions you have arrived at with regard to this matter.

Mr. CLEVELAND. From having followed the budget procedure, I have come to know some of the administrative and legislative organizations that have gone along with those different procedures: it has seemed to me that there are at least three essentially different kinds of budget and budget procedures and organizations that necessarily go with them; that one can not dogmatize about budget procedure and as to what it should be unless he knows what it is that is sought to be accomplished; in other words, what kind of a governmental machine you are going to put it on. Now, we have in this country developed three very different types of governmental machinery, and we have been talking about a budget as if it were a kind of safety valve that could go on any old sort of an engine and yet I think we have to have some background and have the same background to be considering a budget as you would about a system of mechanical control and applying it to a mechanical apparatus for it is essentially a subject of control and not a prime mover. In other words, it is not intended to be a procedure for rendering service; it is intended to be a mechanism for rendering responsibility of persons who do render service responsive to something. In its most accepted theory it is to render them responsible and responsive to the will of the people, but as has been indicated in inquiries this morning there are some essential links that ought to be put in in order to have it gear up with that motive power.

In this country we have developed, and there have come to be very clearly earmarked, three kinds of propaganda corresponding to three kinds of administrative organization and three kinds of budget procedure. Beginning with the proposals or recommendations of President Taft transmitting the report of the commission, I think (Doc. No. 854) in 1912 there came to be a very widely distributed interest in budgets. I think up to that time you will find in the current periodicals and press literature and Government reports and political platforms very little said on that subject; in fact, nothing in platforms and the word was very little used or understood. Now out of this discussion there came to be a very definite, positive reaction against it. President Taft recommended what has come to be known as an executive budget, meaning thereby a definite statement to be formulated responsive to the will of the people made and approved.

President Taft, and that set up some very positive reactions, as I said before.

In the first place, it being foreign to the procedure that had been used in Congress, and there being at that time an opposition party in control and approaching a campaign, there was something made of this, not by way of discussing its recommendations and its merits, but by way of indicating or stating as a conclusion that this was not a proposition that could be followed, but that there should be developed a procedure around the standing committee practices in Congress which would enable the several committees, which were made responsible for inquiry and leadership in matters of expending money or which might become a charge on the Treasury, to enable them to coordinate their efforts and bring together finally something that might be understood and considered as a program. Now, in Congress that was laid down by Mr. Fitzgerald, in which he advocated the old type of control by one appropriation committee. Later, when Mr. Fitzgerald had gone into private life and Mr. Sherley had come by seniority and power to be the chairman of the Appropriation Committee, he proposed a supercommittee, something of the same general type as is found in Mr. Tinkham's suggestion; his resolution. Now, the issue evidently was very definitely joined in the discussions outside of the National Government. That is, while no action was taken here by Congress with respect to Mr. Taft's budget, except when he tried to make a budget and issued orders to make a budget, Congress inserted as a rider on an appropriation bill of August 24, a delayed bill——

The CHAIRMAN (interposing). What year?

Mr. CLEVELAND. 1912. I think as section 9, a provision to the effect that estimates shall be submitted to Congress in the same form and at the same time as heretofore submitted, and in no other form and at no other time. And following this the heads of the departments raised the questions as to what their duty was and the President issued a letter, I think on September 9, stating to the heads of the departments that Congress had no power to pass a law determining what information the President should ask for, nor what he should submit to Congress, and therefore it was their duty to prepare the information asked for by the Congress and at the same time comply with the request of the President. President Taft prepared and submitted a budget, although it was very much delayed, for very cogent reasons at that time, most of which attached to the diminishing power of an outgoing President, and that budget as submitted had no action other than to be ordered filed and printed at the expense of the President's appropriation. Now, with that reception there was nothing more done or said about budgets, or very little said about national budgets or budgets in Congress until after 1916, when it came to be an issue or was inserted as planks in the political platforms, but in the meantime this propaganda had gone out and a large number of States had enacted budget laws. At the present time there are 43 out of the 48 States that have enacted budget legislation, and of these I think two are of the type that were recommended or advocated by Mr. Fitzgerald—New York and Arkansas. There are 19 that are of the type that has come to be known as the "commission" type; and there are 22 that have come to bear the label of "executive" type.

The CHAIRMAN. Will you classify those and put the States in?

Mr. CLEVELAND. I will be very glad to submit a schedule. Now this reaction against the executive budget not only took the form of advocacy of a further development of the standing committee methods of initiating—preparing and initiating finance measures, but there was also developed a very definite propaganda that has resulted in these 19 we may call them commission budgets.

The background for these commission types—and that bears on a question that was raised here this morning with respect to a board form of budget bureau, of some kind, instead of a single-headed bureau—the background for the development of these commission types, is the government by commission. In other words, historically if we get our background for this movement we find that in the early part of our history the people had very little interest in the Government as an instrument of service other than for military protection but they regarded it as a necessary evil, necessary but nevertheless to be evaded as far as possible, and from this grew up a great many practices with which we are all familiar. But among other things there grew up a party system that was entirely outside of the Government itself.

In fact, ending with Jackson's onslaught on the congressional caucus, and definitely putting that out of commission, we had an end of party organization within the Government itself, but the party organization thereafter came to be not what a member of the committee indicated this morning as a party that is responsible to its leading membership for what goes on within the Government, but an organization that has developed entirely outside of the Government, whose management and control can not be reached by the electorate.

Mr. TEMPLE. That is, in this country.

Mr. CLEVELAND. Yes.

Mr. TEMPLE. Where the parliamentary system is in use, the whole tendency is toward parties.

Mr. CLEVELAND. You have an irresponsible party system organization as against there being any means whereby the electorate can reach or control the party.

Mr. TEMPLE. Precisely.

Mr. CLEVELAND. Now, with that party system developed, there grew up a great deal of popular resentment, and a great deal of antiboss sentiment. In fact, you will find that the most consistent and prevailing emotion among the electorate of the United States since the days of Andrew Jackson has been to down the boss, and that has had a very definite reaction on our organic law.

The first way proposed to down the boss was to provide a system whereby the people could elect somebody. In other words, there was a propaganda which was pursued following the slogan "back to the people," and it did not get into the National Government, but the States they amended their constitutions in such manner that a large number

Mr. P.

and a large

Mr. C.

body?

Mr. T.

Mr. PURNELL. You were talking about the party. I mean outside the party.

Mr. CLEVELAND. The party. The leadership within a legislative body is another matter. The party is in charge of a boss, or the head of the controlling group, whatever it may be. I perhaps should not have used the word "boss." You might call him a party manager.

Mr. PURNELL. There is a difference between a boss and a leader. I think you are right on the proposition that the prevailing tendency has been to down the boss, but I am not quite sure that the public has always been able to distinguish between a boss and a leader.

Mr. CLEVELAND. The question of leadership that you raise is a very important question.

Mr. PURNELL. Perhaps we may say that if you want to follow a man he is a leader, and if you are opposed to him he is a boss.

Mr. CLEVELAND. Yes. Well, the important result of this movement back to the people was to decentralize authority, and to confuse and diffuse responsibility.

This did not, in the end, satisfy the longings of the people for control, because with this outside, independent political organization which had a management for the purpose of nominating and electing people, they were in a better position to dominate than were these various independent citizens that were running around the country shouting "Reform"; and they managed to simply add this number of offices to their possible political assets, and get that much more of a basis for appeal to men who were desirous of serving the public.

This broke down in experience so far as its objects were concerned, so far as the end to be achieved was concerned, namely popular control, and there followed a movement, coincident with a very rapidly increasing demand for service, what is known as the government by commission movement.

Up until the time of the Civil War there was very little demand for service, except to distribute the land that the people of the United States inherited as successors to the British Government and a few other things that went along with the possession of land—the policing of the border against the hostile Indians, etc. But what has come to be known as the welfare aspects of the Government, the various aspects that look toward curbing the communities and making the Government an integral part of machinery for providing the things that the people need to have provided, that was a thing that grew up later, and as it grew up—may I say, first, that as the condition which seemed to make necessary this development came to impress itself because of the conditions in which congested populations were found, in which the people who had been brought together in great cities, and because of the whole changed social, economic, and industrial environment—as these necessities grew and as the conditions became apparent there came to develop among the citizenship of the country a leadership that had in mind projects which would alleviate these conditions.

Now, that leadership was not a nationally organized leadership; it was a leadership that came to develop itself very largely around specialized humanitarian instincts and projects. One particular group might be interested in the problem of popularism, another might be interested in tuberculosis, another in insanity, another in the care of and education of the criminal, etc. So that throughout

our society there came to be developed a very large number of these promoting agencies whose leadership sought to get the Government to provide a service that would satisfy their particular needs or their particular constituency, and therefore they began to urge and did urge and succeeded in bringing about a further decentralization, which expressed itself in legal measures practically to separately incorporate each one of these services and put them under separate boards, and that came to be such a definite propaganda and thing urged, not only because it was a way of taking that particular service out from under this political domination, political leadership, if we may adopt the term instead of "the boss," the broad political leadership, but also of providing for a definite service, having in mind the accomplishment of those two things, and there being nothing that these persons saw ahead which would enable them to protect, each one his own preserve, they came to be perhaps the most violent opponents of the executive budget system throughout the country.

That contest is very clearly brought out in New York, where in 1915, under the leadership of men like Mr. Baruch and Mr. Wickersham, who was here as a member of the Cabinet under Mr. Taft's administration, and inspired by just such notions as are found in the documents now before Congress, they undertook to reorganize the State administration in such way as to make the governor responsible. They developed the State constitution along those lines and to that machine they attached an executive budget as an instrument of control, a means whereby the head of the administration the executive, would be required to come before the controlling appropriating body, and give an account of himself as to his past acts, and lay before them what his propositions were for future action.

Now, when that constitution was adopted it was adopted not as a partisan measure, for there were very few that were opposed to it in the convention of either party, and it seemed to be the consensus of opinion there that that was the kind of thing that should be done. As soon as that was advertised as a thing to go before the people both the organized forces that centered in what I have referred to as the irresponsible party organization, and the forces which found expression in this great commission—government movement, joined to defeat that constitution. Probably the most forward of the commission-government States has been Wisconsin. Men who have been prominent in the movement out there joined in the campaign against the constitution in New York. Men who are constantly appealing to the humanitarian aspect of society, appeal for support to those interests, like the Hearst newspapers, came out and urged all kind of social reasons why this should not be done. Men like

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ashion what kind of a budget is desired or desirable, he must consider the administrative machine and the point of view of the people back of the administrative machine to which it is to be attached.

Mr. GOOD. Doctor, do you recall when the constitution for the State of New York was presented to this commission containing the executive budget, whether it reserved to the legislature the ultimate right to pass upon every item that is contained in the budget?

Mr. CLEVELAND. As I recall that provision, it required the executive to prepare and submit a budget and gave him the right also, and made it his duty, to appear on the floor and explain and defend it, and it inhibited such action as would permit of any member of the legislature, or the legislature itself, increasing the budget bill. They might reduce it, and they might eliminate an item. There was a provision in fact, as I recall, for a committee of the whole procedure for considering these matters in detail. But the legislature was not precluded, however, from initiating measures of their own. It was only that those measures initiated, or any proposals of the legislature, should not be injected into, and confuse responsibility for, the administration measure; and if they did bring in subsequent measures, they were to be taken up and considered on their merits as separate bills. As I recall, that was about the terms of the proposition.

Mr. GOOD. The constitutional convention rejected that plan?

Mr. CLEVELAND. No; the constitutional convention adopted it and made it a part of the proposed constitution that was submitted to the people.

Now, in that constitution they undertook to reorganize the whole State machinery, and thereby, of course, they set every influence against the constitution that was not in favor of reorganization. The budget measure was not in itself so much under discussion, as the machinery that went along with it, although that was a necessary part.

Mr. GOOD. I wanted to find out just what was done by the electorate.

Mr. CLEVELAND. They turned it down, about 4 to 1.

Mr. TEMPLE. You were about to distinguish between the three types of budget you were speaking of. I wish you would do that very fully, because I notice a tendency to discuss "the budget system," as if there were only one; and you were about to do that, and I merely express a desire to have it pretty fully expressed.

Mr. CLEVELAND. Just before coming to that, in relation to Mr. Good's question, I would like to say that the budget provision and the administrative reorganization provisions very much in the form presented by the State of New York, divested of all the other questions that were included in and raised by this general revision of the constitution, including the judiciary and all that sort of thing, coming right down to the one issue of fixed administrative reorganization and of legislative budget procedure, that was taken up, and in much the same form made the subject of a commission before the people of the State of Illinois at the time that Governor Lowden was carried into office as governor, and with him a favorable legislature; so that practically this theory of reorganization was incorporated in the practice of the State of Illinois.

The CHAIRMAN. Dr. Cleveland, when the committee recessed, reference had just been made and you were discussing somewhat the provision of the proposed constitution for New York, which was not ratified, and in order that it may appear in the record, let me read that provision that related to the budget so far as the power of the legislature to alter and amend is concerned:

The legislature may not alter an appropriation bill submitted by the governor except to strike out or reduce items therein; but this provision shall not apply to items for the legislature or judiciary. Such a bill when passed by both houses shall be a law immediately without further action by the governor, except that appropriations for the legislature and judiciary shall be subject to his approval as provided in section 9 of article 4.

Neither house shall consider further appropriations until the appropriation bill proposed by the governor shall have been finally acted on by both houses, nor shall such further appropriations be then made except by separate bills each for a single work or object, which bills shall be subject to the governor's approval as provided in section 9 of article 4.

Now, you may proceed with your statement.

Mr. CLEVELAND. Dr. Temple asked a question just before the committee recessed, the question being what are the distinguishing characteristics of the three types of budgets that have been mentioned, namely, the executive budget, the commission budget, and the legislative budget. The characteristics of the executive budget as applied to questions of leadership, inquiries, criticism, and approval, are that the executive budget presumes that the executive shall formulate and initiate a finance and service program such as would be done under a budget measure, both with respect to estimated expenditures and with respect to estimated or proposed methods of financing those expenditures, whether by revenue or by loans.

The CHAIRMAN. When you say "formulate and initiate," he would not initiate it until after Congress had acted upon the budget?

Mr. CLEVELAND. I mean to initiate from the viewpoint of taking leadership for the measure, assuming to be sponsor for the measure, and coming before Congress as the representatives of the Nation and in that responsible capacity standing for the things that he thinks to be desirable in order that the public service may be conducted effectively and economically.

Now, with that definition giving the technical distinction that the executive in the process of the exercise of this leadership or in which he would have to prepare the measure, review of the estimates and expenditures of the revenue side of the program, conclusion reached as to what he stands for and would undertake to do along with this initiative with executive accountability for his action with respect to the deliberative representatives that Congress, we will perform an inquiry with a view to what this proposition is, what are the proposals for finance, and how they may exercise their function of co-

fashion and be willing to face their constituencies after becoming informed, but, nevertheless, still regarding this as an executive or administration measure under consideration.

It assumes, therefore, that this deliberative appropriating body should develop an organization and leadership which lends itself to informing the Members, and each of them, as to what this proposition is, and as to the reasons back of it, not only informing itself through direct inquiry or by questioning, but rather by way of organizing and directing an inquest conducted by those who are critically minded. Now, in every deliberative body there is always a division of opinion with respect to what should be the prevailing policy or what should be determined with respect to the question of public policy. There are various interests that are represented with various points of view, and when the proposition comes up in concrete form to be assented to or dissented from, it will always come to the point where there is division, and usually, in the normal course of affairs, with the kind of procedure that is invoked, it comes to be known pretty definitely what the administration stands for as a matter of public policy, and, therefore in the deliberative body there comes to be more or less of a standing division as opposed to the policies of the administration, called the opposition.

Mr. BYRNS. Does that involve any restrictions upon the right of a Member in dealing with appropriations?

Mr. CLEVELAND. Not at all. This development recognizes the existence of a critical opposition in the deliberative assembly, and it simply means that by such recognition and by proper organization and leadership the deliberative assembly is able to focus criticism or that of the critically minded members on the proposal that is brought forth. Therefore, as a regular part of the procedure, just as is found in a country where responsibility by organization is developed, as was suggested by Dr. Temple, this deliberative body comes to be a public forum in which the men who are there to represent the views and the division of the people come to take sides, and there comes to be developed a partisan leadership.

Mr. BYRNS. Does it not involve more than criticism? In other words, is each member permitted to offer amendments to either increase or decrease the appropriations?

Mr. CLEVELAND. Under the executive budget all of those plans that have operated in a way to locate responsibility have perfected the leadership and the initiative of the executive to such an extent that the members will know whether it is his measure, and therefore where such procedure obtains the requirement is that in case one member of the deliberative body desires to bring about an increase, or in other words, to change the type of the proposal, carrying with it definite responsibilities, this can be done only through some person who represents the administration, and who therefore does it with the authority of the executive.

Mr. BYRNS. How about the rights of the individual member in the deliberative body?

Mr. CLEVELAND. In the case of the executive budget, the right of the individual members as it has developed in this country, and as has been read into the record by the chairman of the committee in the clause contained in the proposed New York constitution, namely, that each and every member would have the right to initiate a

measure, but if he does initiate a measure it stands as his measure and must not be confused with the executive measure——

Mr. BYRNS (interposing). It must be outside of the budget?

Mr. CLEVELAND. Outside of the administration's proposal, so that there will be no confusion as to responsibility. Now, it is assumed for the purpose of the information of the members of the deliberative body that that information can be developed fully only when opportunity is given to the critically minded members to bring forth their criticisms. Therefore we find in England, for example, that the committee that deals with the question of expenditures is a committee in the hands of the opposition, and the auditor is regarded as an independent functionary who has no partisanship.

Mr. HAWLEY. The chairmanship of the public accounts committee is usually held by an opposition member?

Mr. CLEVELAND. Yes, sir.

Mr. HAWLEY. Do you mean to have us infer that a majority of the members of the Public Accounts Committee are also from the opposition?

Mr. CLEVELAND. If you use the word "majority" as meaning pro-administration party, no, but if you use the word "majority"——

Mr. HAWLEY (interposing). Then it is not in the hands of the opposition.

Mr. CLEVELAND. Yes, sir; I say that it is. The control of the committee is in the hands of the opposition.

Mr. HAWLEY. Then a majority of the members are from the opposition—is that right?

Mr. CLEVELAND. I understand that is true. I went into that matter once very carefully and traced their procedure down from the time of their creation in 1866 to 1914, when the coalition government came in, and I also traced down the proceedings of a similar committee in the Dominion of Canada that was in control of the proadministration party. I could not at all times distinguish the partisanship of one party from another, yet the character of the proceedings of those two committees was different, and the character of the proceedings in the British Parliament is so much on the side of an endeavor to bring out the facts as to what the administration has been doing, that it is all made a subject of critical review, whereas in Canada, where they have just the opposite sort of leadership, it was an effort on the part of certain whitewashing and gag-rule machinery, and, as I said, it was so different that I could not draw any other conclusion than that they were under an entirely different sponsorship.

Mr. HAWLEY. It would be a question of fact as to whether a majority of the Public Accounts Committee were members of the

of financial administration in the Empire, and their proceedings have been such as to develop the critical faculty for the benefit of the members, whereas, over here in the Dominion of Canada, where they have a change of chairmanship, as you do, or a majority chairmanship linked up with the proadministration party, the case is different. In other words, the whole thing was conducted practically by the members of the cabinet, and they were there simply ruining machines through the performance of investigating themselves. So that, as a matter of principle, whatever may be the actual composition, what you are after is the development of a critical faculty within the deliberative body, in order that the membership—not the membership of a committee of 10 men or 15 men, but 500 men—would have some opportunity for knowing what it was all about and what was back of those proposals. Assuming that those who are critically minded had been chosen for leadership because of their critical mindedness, the fact that they did not bring forward anything by way of criticism of the proposal would indicate that there was not anything there that they should bring forward. As a matter of principle, it seems to me that that is a thing that is to be had in mind.

MR. CAMPBELL. Do you hope that we can approach that situation in this country?

MR. CLEVELAND. I am simply pointing out what seems to me the assumption back of the executive budget with respect to the Executive on the one hand and with respect to the deliberative appropriating body on the other.

MR. CAMPBELL. I observed Sir Wilfred Laurier putting a budget through the Canadian Parliament, and every criticism there was launched at the Government, or the man who was responsible for the budget. It was in his hands, and he and those about him had to defend every item in that budget from attacks from the other benches. They had a wonderful advantage—an advantage that the opposition to the Executive here could not have, because the Executive is not here to defend his budget. His budget is in charge of the chairman of the Committee on Appropriations here, and he may be, as he is to-day, an opposition member to the President's party.

MR. CLEVELAND. Referring to the point I am seeking to make, Mr. Chairman, if you are going to have an executive budget procedure, if you are going to hold the Executive responsible throughout the introduction and consideration of the measure, and at the same time give to the deliberative purse-holding body an opportunity to act with intelligence, you must develop two things—one a means of having a sponsorship for the measure present to explain and defend it and the other a critical faculty which will undertake through proper organization and staff to go to the bottom of those things and to come forward at the time those measures are presented to raise such questions as the membership or those who are opposed to the measure would have brought to the front.

THE CHAIRMAN. Let me see if I understand you there. With an Executive budget, where the President is responsible for making and submitting it to Congress, do you mean that the President, therefore, must either be on the floor of the House in person or by some representative of his budget staff to defend all the items contained in the budget?



Mr. CLEVELAND. I mean, Mr. Chairman, this, that since the budget measure has already been framed and is there as an executive budget the only purpose of the proceedings in Congress is to find out what that measure is, what is the reason for it, and what are the objections to it before it comes to a vote. That being the purpose, if the measure is to be properly understood or well understood, and if the members are to have the benefit of the best information, they must have the benefit of the information of those who prepared the measure, and, therefore, know the reasons for its having been brought forward, on the one hand, and they must develop a procedure for finding out what are the opposing considerations, on the other hand. Under an organization such as you have here, assume that you were to recommend an executive budget; it would seem to be desirable and necessary to preserve the principle that, instead of referring it to a standing committee, as is at present done, for the purpose of getting together a proposition and bringing it out to be recommended, because you already have the proposition brought together before Congress meets. if the machinery to be invoked for the consideration of the measure proposed is to reach 100 per cent of the membership, the only kind of committee that would be effective to serve that end would be a Committee of the Whole.

The CHAIRMAN. Are you sure of that? I have yet failed to see a system with a method of investigation after the budget was submitted that is superior to the system we have in the House of Representatives. Under that system the executive can choose whomever he thinks ought to come to the committee having jurisdiction of the bill. He can come himself, or he can send any number of men. There has never been any limit, and they can explain every item and every detail, going into the minutest explanation. On that committee there are members of both political parties, so that if, perchance, a political question might be involved, the President's own party would be represented there upon the committee. Every word is taken down by the reporter, and the hearings are published, so that the 435 Members of the House can read the explanations. On the other hand, if you had it before a Committee of the Whole, you would scarcely ever find more than a hundred Members present. The other 335 Members would have no knowledge, perhaps, of the explanations made by the executive when the time for the vote came, because the vote might be taken before the Congressional Record appeared. Therefore, it seems to me that, from the business standpoint, that method of examination, being a critical examination by a standing committee having jurisdiction of the subject, has some advantages over the plan of permitting an explanation to be made before the Committee of the Whole.

Mr. CLEVELAND. In seeking to explain the implications of the executive budget I am not urging that the committee system be done away with, but only this, that if you assume that the purpose of the inquiry on the part of Congress is to be a means of informing your 435 members before they vote, and then assuming that there is equal opportunity given to the members of the administration side to be present in both cases, in one case in the standing committee and in the other case in the committee of the whole, the process of inquiry and of information to members would, or, at least, it is so thought by a good many, be better adapted when that inquiry takes

place in committee of the whole where everybody may be present, instead of being in a committee room where, perhaps, 15 members are present and the other 420 members are tied up in other committees, and where, if they undertook to simply keep informed about the proceedings in one committee, they would have to spend all of their time reading the minutes. Now, that does not mean that there is no place for a standing committee system, assuming that you do have a committee of the whole forum, we might say, for inquiry and discussion, any more than we would assume that in the case of a proceeding at law there be no provision made for getting ready for the trial; but in that case, assuming that you are to have a real open forum discussion of the questions raised and that you will provide means for raising every question that those in opposition may think of importance, it would seem to be desirable to have two kinds of committees, one that would undertake to inform itself and to get ready to take leadership when the measures are before the House itself, where the administration has no standing, for the proposition, and the other to get ready and be prepared to take leadership, both in the committee of the whole and in the House, so far as the opposition has any criticism to offer.

Now, you have in Congress, looking at Congress as it has been, and assuming that some such organization were provided as would change necessarily the committee organization of Congress, you already have two such conditions: One is that they are there to inform themselves about what the administration is proposing, and the other is the critical examination into the question of expenditures, one being the various appropriation committees, and the other being the committees on expenditures, the fundamental principle being that those two committees cover those two domains, but you have not got them geared up anywhere, and you do not provide a place where all of the 435 members can be present when they are.

The CHAIRMAN. You overlook the important fact that the committees on expenditures and the appropriating committees do not function together as to expenditures, but one of the chief things that the Committee on Appropriations does when it examines an item is to find out how much they had the year before for the particular service in question; what they did with the appropriation; how many men they employed, and what was the real service result of the employment; also how much work they intend to do, and whether they intend to do more work or less work during the next year. Inquiry is made into the operation of the service. Do you think that should be performed by a committee on expenditures?

Mr. CLEVELAND. No, sir.

The CHAIRMAN. It is a combination committee on appropriations and expenditures, and it is a committee that investigates every detail of the service.

Mr. CLEVELAND. I was simply reflecting my own interpretation of it, that is, that the committee on expenditures does not function except when the President happens to be of the opposition, or, in other words, when the majority of the Congress organizes those committees and they are against the President. Then you will find some very liberal functioning at times in getting information which will make trouble for the administration, recognizing the fact that

it has primarily for the opposition a critical purpose, and, furthermore, that while the committees on appropriations necessarily go into the estimates and into the requests submitted in a critical fashion, this is necessary in order to get ready for the advocacy of the measure which they are going to take the sponsorship for. In other words, they are in the process of formulating something to be brought out. They are not in the position of looking critically upon a measure that the Executive presents and that is to be preserved through the entire session, or, we might say, until they pass the executive measure.

Mr. BYRNS. I assume, of course, that the establishment of such a budget system would save the necessity for such extended hearings as we have heretofore had?

Mr. CLEVELAND. Yes, sir.

Mr. BYRNS. I have known the Appropriations Committee to sit three, four, five, and six weeks in daily hearings, going into every detail of large appropriation bills. Now, If you are not to have some committee of that sort, I submit that it would be absolutely impossible for the Members of the House to inform themselves by hearings in the consideration of the bill, as they are now privileged to do, as the chairman stated, through reading the hearings had before the various appropriating committees.

Mr. CLEVELAND. I would say that there would be just as much need for a critical examination as at present, but the purpose of it would be entirely different. The purpose of it would be to put the committees as the chosen attorneys, we might say, for the House in a position to present or oppose the case, and since one of those attorneyships would necessarily represent or be favorable to the measure that would be brought forth by the executive, its inquest or inquiry would necessarily be one of an attorney for the plaintiff. Their organization might assume, and ordinarily would take the form of a standing recess committee, where they would be at work all the time getting ready.

Mr. HAWLEY. It might be that in the presentation of particular items in the budget by the Executive, neither the majority party in the House nor the minority party would agree with the Executive. They might think that some modification was desirable and then there would be nobody there to defend the executive's budget in toto.

Mr. CLEVELAND. That would bring up the contingency suggested by Dr. Temple—that is, the question of what could be done or would be done in our forum organization in case such a contingency arose; but I am presenting this simply as an implication of the executive budget. The question as to the condition under which the executive budget would operate then would be that the Executive would prepare or bring forth a championship or sponsorship of the measure which would preserve its integrity as the Executive's measure, with whatever amendments and modifications the advisers might bring the Executive to make, or that the opposition might make him see was desirable, or that might have developed in the course of the hearings, the purpose being to preserve that as the executive measure throughout; and then, in case there are any supplementary or different measures to be brought forth, or other services to be provided for, or new services to be added, or even if added functions are to be

included, other than those already provided for through the executive measure, assuming that it passes, they are to be brought out and considered separate and apart in order that those responsible might defend it.

Mr. CAMPBELL. What would you have the Committee on Appropriations to do with an executive budget?

Mr. CLEVELAND. Assuming that you had an executive budget, and that you undertook to install or indicate a procedure on it which would go along with it, and to provide for administrative and congressional machinery that would be adapted to the purpose of its operation, I would say that the Committee on Appropriations for this purpose, in case it was favorable to the administration, or made up by those who took the same view of public policy as the administration, would put itself in a position to be attorneys for the administration on the floor.

Mr. CAMPBELL. What I am getting at is this: At this time, the Executive is not in agreement with the majority of the Committee on Appropriations politically. Should members of the Committee on Appropriations become champions for the President's policy?

Mr. CLEVELAND. Those who stand before the country as favoring the same public policies as the administration preparing this measure should then be sponsors, and should organize to give sponsorship for the measure on the floor.

The CHAIRMAN. Now we have a different policy. For example we have just passed through the House the first deficiency bill for this year. The estimates aggregated \$44,000,000, and every one of those estimates had the O. K. of the President of the United States. The committee held hearings for more than three weeks on the bill, the hearings containing about 1,000 printed pages. The committee then reported out a bill carrying \$14,000,000, and every member of the committee, including those members of the same political party with the President, sponsored the committee bill. They offered no amendments on the floor of the House, except, as I recall, in the case of one or two items that were included in the estimates submitted by the President and which had his approval. That bill went through the House, and, as I recall it, not a member of the President's party took any exceptions to the bill or offered any material amendments to it as it was reported by the committee. There was no division politically in the committee on the bill.

Mr. CLEVELAND. It seems to me that that is of the character of some observations that were made in relation to some remarks made by Mr. Norton. I think Mr. Kitchen asked him how he accounted for the fact that Congress reduced the amounts in the appropriation bills as against the amounts asked for in the estimates. Now, when those deficiencies came out of the committee, they were not regarded as administrative measures. It is not a part of your present system to so have it, but the present system is one of committee leadership, and the bill that comes out is a measure of the majority of the committee, and, as I understand it, the chairman traditionally being the one to sponsor it. The purpose of this committee getting together is to formulate a measure and be able to defend it whenever it comes out. Now, that puts the Executive in an entirely different attitude than if he had to sponsor and defend the measure, because then the

Executive is in the position purely of a ministerial agent to the committee, and they are pushing for all they can get each one trying to get something in, whereas the Chief Executive has no responsibility for the bill that is made out.

The CHAIRMAN. But, Doctor, it seems to me that the advantage of even our present system over the British system lies in the fact that no Chief Executive that I can recall has felt, after the turning down of an item or a number of items, that he has estimated to be for the public good, the turning down of those by Congress was a reflection on the President as a lack of confidence in him, but rather the result of a more careful and minute examination which went back to the fact that the Executive himself did not have the opportunity to prepare and coordinate or reduce, where coordination or reduction was possible, as it developed at a more full and complete hearing of the act. It seems to me that any system that we develop if it should be taken that a change by Congress was a vote of lack of confidence in the administration, would in the end be a mistake. I think it should be looked upon purely as a financial and business proposition. If after a full and open discussion and a thorough examination the President's budget should be found to contain items that ought to be stricken out, or to have failed to include items that ought to have been inserted for the public good, the people of the United States would want Congress, which must finally assume responsibility, to assume that responsibility and to act in accordance with the best information then available.

Mr. CLEVELAND. I think, Mr. Chairman, that your statement does not carry with it, or it does not square with the assumptions of an Executive budget in any place where I know of their operations. It is not assumed, as I am informed, that any proposal to increase or decrease, or any criticism that causes an increase or decrease, is any reflection on the administration, or that if a decrease is carried by vote, that it is in the nature of a vote of lack of confidence; it is only such as are not consented to by the administration in the face of the developments and the arguments made. Now, therefore, if it comes to pass on the initiative of some Member, or through questioning, or through the organized opposition that there is an alternative presented, or through amending the proposal or perhaps having the whole measure fail, that the Executive might consent to an amendment, or it might so develop, for example, in the bringing out of new interests. There is constant development going on through the Executive budget procedure. It is only when a stand is taken by the administration that it is incompatible with the public interest, and there is a change proposed, that there is an issue on that.

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and control every function, whether it is the President in making the budget or the Congress that enacts it.

Mr. CLEVELAND. Yes; on that feature, Mr. Chairman, you would not seem to need any kind of budget legislation, because the President now has the right to do that sort of thing.

The CHAIRMAN. Now, let us see whether he has the right. Under the present law each of the members of the Cabinet must on or before the 15th day of October make an estimate of the requirements of his department and submit that estimate to the Secretary of the Treasury; the Secretary of the Treasury compiles it in what is known as the Book of Estimates, a very large volume.

Mr. CLEVELAND. Yes.

The CHAIRMAN. Containing in the minutest details the estimates contained in the estimates furnished by the Cabinet officials. The Secretary has no power to reduce or increase, but only to submit that to Congress. At the same time he transmits that to Congress on the first day of the Congress, he must transmit a copy of it to the President, and the President is then required to analyze it and if he finds that the estimated expenditures exceed the estimated revenues of the Government he must then recommend some plan for either reducing the expenditures or increasing the revenues; but the President does not get the Book of Estimates until after Congress meets, and the Congress must, in the short session, enact the appropriation bills within three months. Now, from the nature of things the President could not during the short session, at least, commence anew and go over all those estimates in detail, even if he had the machinery.

Mr. CLEVELAND. Mr. Chairman, the measure of law that you refer to is not the measure of law that I had in mind. The act of March 4, 1909—

The CHAIRMAN (interposing). That is this law.

Mr. CLEVELAND (continuing). Is a statute that would operate, if it operated at all, in the manner you suggest, but it is not operated, and in the very nature of things can not operate, it seems to me, because no President would put himself in the position that is suggested here.

But the law to which I have reference is the Constitution of the United States, the law referred to by President Taft at the time that Congress undertook to forestall, through this section 6 of the act of August 4, 1912, the preparation of any kind of a budget by the President, after he had issued an order on July 12 for his heads of departments to prepare the information that he asked for in order that he might submit a budget; and when that law had been passed the heads of the departments were in doubt as to what to do; then he declared that his interpretation of the law was that under the Constitution he had the right to ask the heads of the departments and to call on the heads of the departments for any information he desired, and to go before Congress in order to advise them as to what he thought would be expedient or necessary, and therefore that he had full power under the Constitution to prepare and submit a budget; but what happened to Mr. Taft's budget?

In the first place, the committees of Congress began their sessions early, before Congress met, and began to make demands on the staff, the clerical staff of the departments, to such an extent that they had all that they could do to comply with those. In the second place, in

the first week of November President Taft was a defeated candidate for President, and then, during the period that these materials were being collected and from that time on, there was practically a waiting game which required all of the coaxing and cajoling that a President could do to get any information at all; and then this information, instead of coming in in November, as he had requested, in order that he might at the same time submit a budget when the Book of Estimates went before Congress—the information asked for that—instead of that information coming then, that information did not come in until January, and it took until practically the 1st of February before it could be tabulated, and then his budget was not put in the hands of Congress until the 27th day of February, only six days before the end of his official term, and when it was put there it was simply laughed at.

Mr. TEMPLE. That was only six days before Congress ceased to exist.

Mr. CLEVELAND. True; but it was three months before the end of the fiscal year, about.

Mr. TEMPLE. Yes; but I would like to ask this: Are you sure of the year when that budget was handed in?

Mr. CLEVELAND. 1913.

Mr. TEMPLE. I believe you are correct; I was thinking about the estimates.

Mr. CLEVELAND. And showing that this is simply an idiosyncrasy here in the operation of this system—

Mr. TEMPLE (interposing). And then Mr. Taft's budget was not presented to Congress until six days before that Congress ceased to exist.

Mr. CLEVELAND. That is true, although there was another Congress immediately called for a short session, and there were three months on the appropriation year.

Mr. HAWLEY. But no appropriation bills were submitted during that short session.

Mr. CLEVELAND. No; the appropriation bills were all passed before the end of the Congress, and the administration was turned over to the opposition.

Now, showing that that is not simply a sport—you might say, the history of budget making, something exceptional—this same sort of thing happened in Albany two years later when, with the same party being represented both at the head of the administration and in control of the legislative body, with that kind of solid front presented, the governor submitted a budget along the lines of the constitution, but it was turned down on the ground that they thought that it was not a proper budget.

The President thought that he had power to submit a budget without an amendment to the constitution. Now, what happens:

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In other words, the legislature undertakes to frame an appropriation measure that goes to the salary of the last clerk and the cost of the last postage stamp, you might say, for the use of the administration. The governor took the position that that was not a measure of economy, and one under which there could be no economy on the part of the executive, and for that matter it was not proper in the pursuit of their duties, and therefore that he would submit a measure that carried a total for the service of the departments, divided between salaries and wages, and another for supplies, and so forth—I think, five or six items; I think the contractual service was another—and then supported that budget by a schedule of items in greater detail than had theretofore been appropriated, but having them as schedules binding upon the heads of the departments but not on the governor, from the viewpoint of his ability to exercise executive discretion as to whether or not this particular part of a force could be better used over there, or that some shifts might be made in deploying personnel for the purpose of carrying on the functions or decreasing personnel if it was found they had too many persons in the personnel, etc.

Now, having enacted the schedule, the enacting clause being simply on the main item, when it got to the legislative committee they simply struck out the verbiage which carried these schedules and made each one of these items reaching appropriations going back to the old system, something like several hundred changes in that, and bringing out and passing it as a budget. Well, now then, that having been done and the governor having accepted that, and they having got together on that as a matter of solid front before the people, then the legislature turned in and passed an act for a legislative budget as distinct from an executive budget, and that is their law.

And if you have no other questions I would be glad to take up the second budget and this feature.

Mr. CAMPBELL. I want to get your idea on some questions that are bothering me with reference to an executive budget. I notice the proponents nearly all advocate an executive budget. The executive spends the money; it is rare that any branch of the executive departments or any bureau or any commission of the executive department has as much money as it thinks it ought to have in the performance of its duties. I have never gone to an executive branch of this Government and asked that some activity be undertaken or speeded up that the man in charge did not sit back and say, "Well, Congress did not give us enough money and we can not do that." You find that in every executive department of the Government.

Now, what is bothering me in all this literature on the budget is to find the proponents of the budget system insisting that the men who never have enough money and never can get enough money out of the Congress to satisfy them, instead of placing the making of the budget in the hands of the executive, in view of the fact that they are never for economy but always in favor of more money, and the purpose of an executive budget is to reduce expenditures and promote economy; how do you account for that?

Mr. CLEVELAND. I would account for that as apart of the necessary psychology of successful administration from the viewpoint

of the man who has really to transact the business. In other words, the man who is responsible for keeping the potato bugs off the farmers' potatoes is bound to be a pusher for more money for potato bugs.

Mr. CAMPBELL. No; what I am trying to get at now is, how do you account for their advocating a budget system for economy in expenditures, and insisting on giving the creation of this budget to the men who have the spending of it, in order that they may kill more potato bugs?

Mr. CLEVELAND. Now, Mr. Campbell, I do not want to be understood as here before this committee—however, I may think well of an executive budget as a proper device to be used under certain conditions—as presenting to this committee the view that an executive budget is desirable unless you have proper machinery to go along with it; but assuming that we may have the proper machinery to go along with it, the assumption that lies back of the suggestion that the Executive should be held responsible is this: In the first place, that the Executive is the one man that is elected by the people at large and represents the whole country, and therefore from the viewpoint of his vision must be countrywide, and that having placed on him responsibility for recommending not only the funds or amounts to an organization needed to look after and kill off the farmers' potato bugs, he must also look after the farmers' hogs and the townsmen's children and everything that represents the economic or social or business needs of the country, so that he must be in a position of coming to have some definite program or plan that is comprehensive, and having that, that then can be made the basis of special examination, whereas if it was simply a matter of taking up for consideration a proposal that was for the farmers at one time and another proposal that was for the Army at another, and so forth, you do not get that perspective.

In the second place, being responsible not only for making the plans, but executing it—assuming that he has the proper machinery for becoming an intelligent Executive to know what is being done; to know that the money that has been voted is properly and economically and efficiently spent; whether the service is being conducted in the best way possible; that by that very method and process of current review and determination, assuming that he has the machinery for making it and coming to those decisions that he will be better able to prevent and give information about the things that he will propose than any committee could possibly do when they are the ones to bring out a program or proposition, and where the Executive is simply there trying to get all he can. In other words, if the Executive is relieved from responsibility for a general program, then his normal reaction is to go in and get what he can. He says, "Those fellows over there are the ones to talk to, not me," and each one comes up with his satchel full of estimates of everything that he thinks will be serviceable and appealing and tries to put it over the committee. And the Executive simply sits back; he is not responsible for anything.

The only thing he is responsible for is lecturing Congress after they get through, and if he puts his approval on it he says that he will do it with hesitancy, that while he is opposed to this, that, and the other

thing, because of what is involved he thinks it necessary to sign the measure. Now, that simply changes the whole atmosphere of responsibility. That is their conviction and their contention.

Mr. CAMPBELL. Their contention is that while the executive spends the money, yet if he is held responsible for estimating the amount that he spends that he will be more careful in making his estimates?

Mr. CLEVELAND. And in the expenditures, too.

Mr. CAMPBELL. And the manner in which it is expended?

Mr. CLEVELAND. Because when he comes up and asks for it and submits himself to an examination and for his past acts, it is a responsible task.

Mr. TEMPLE. Referring to the point referred to by Mr. Campbell, I would like to refer to certain estimates. Last year was not a normal year, but last year our original estimates were \$13,504,357,939.64. I will not mention anything less than the millions, but last year it was \$13,504,000,000 in original estimates. Supplemental estimates were added, giving us a total of \$30,365,463,993.74; the actual appropriations were \$25,266,194,173.53; the appropriations, therefore, were \$5,101,259,820.18 less than the estimates submitted to the Congress. Five billions of dollars difference between the administrative estimates and the congressional appropriations in one year. And for this year the original estimates submitted have been \$8,089,667,298.07. We haven't got the supplemental estimates as yet.

Mr. CLEVELAND. The point that I make, Mr. Chairman, is that when the responsibility and the assumption of responsibility is shifted, the normal reaction is to leave the initiative with the detailed spending service where the estimates uniformly in every jurisdiction that I know of where that practice has obtained has been anywhere from 10 per cent to 50 per cent larger than it would get or expected to get. On the other hand, in the case of Illinois, I know through recent procedure that the executive undertakes not only to submit a proposition, but also to assume responsibility for everything that goes in by way of supplemental requests or amendments during the time that it is being considered by the appropriating body, as coming from the administration that he controls. You do not have that practice. It is only the thing that the executive thinks that he is willing to go out and defend on the stump that he will stand for as a request coming from his subordinates.

Mr. CAMPBELL. Further on this: I have observed very closely from this end of the Avenue three Presidents. Two of them have never mentioned the word "economy" or advocated economy in public expenditures in any way whatever. They seem to have been absolutely oblivious to the fact that there was anything to be done except to ask for money and get it ad libitum under lump-sum appropriations. Now, how would you expect to get economy and reductions in expenditures and taxation from an Executive who never contemplates a reduction in expenditures and economy.

Mr. CLEVELAND. I would say that you could not expect it, if you assume that the Executive is not to be responsible for bringing before Congress a well thought out, well considered, and well balanced program.



Mr. CAMPBELL. But they are responsible, are they not, in a way they ask for all these millions and billions?

Mr. CLEVELAND. No; not the Executive; it comes from the ministerial agents of Congress the way it is framed up now. Under the law these heads of bureaus—

Mr. CAMPBELL (interposing). The ministerial agents of Congress to whom do you refer?

Mr. CLEVELAND. The bureau heads.

Mr. CAMPBELL. They are the ministerial heads of the executive.

Mr. CLEVELAND. Not now.

Mr. CAMPBELL. Absolutely.

The CHAIRMAN. Mr. Cleveland, I want to call your attention to the law on that subject:

That hereafter it shall be the duty of the heads of the several executive departments and of such other officers authorized or required by law to make estimates to furnish to the Secretary of the Treasury, on or before the 15th day of October of each year, their annual estimates for the public service, to be included in the Book of Estimates.

And such officers are the officials of the independent establishments; such as the Interstate Commerce Commission, and certainly those officers are not the agents of the Congress; they are the agents of the executive of the country.

Mr. CLEVELAND. That comes of the definition of a ministerial agent, I understand that. But what I mean is this: That the purpose of that is not to frame a program that the executive will be responsible for; it is to give information to the Congress as to what this is for, so that the Congress will come to a decision as to what it will be asked to appropriate for. And it comes, therefore, to be a matter of congressional leadership as to what the budget, as it is sometimes called, will be. That is not a matter for the President to decide, with the result that having the alternative of using only the veto power with a casual conference with his cabinet beforehand; perhaps having in mind the element of publicity with the result that the bureau head or person in charge of the service is really the man that functions and he functions in response to a request from Congress for information to be submitted to the committee and with

sibility on the Executive and make an issue, if he recommends extravagant appropriations, against him, which will be clearly understood by the people? In other words, through publicity and the fixing of responsibility don't you make an issue of economy or extravagance so plainly that you are going to make the issue plain between the Executive and the Congress which to-day is absolutely confused; is that true or not?

Mr. CLEVELAND. I would say that the public is not only in the condition of this crowd of not knowing, but Members of Congress are in the same position.

Mr. TINKHAM. Exactly.

Mr. CLEVELAND. And furthermore, with respect to the executive budget I would say that no executive would assume to perform that function unless he had some means whereby he could protect himself against hostile criticism when he or his agents were not permitted to be present, and therefore that if you are going to avail yourself of whatever benefits there may accrue by having an executive proposal submitted and have an issue and not wait until the end of a session to have a committee bringing out something to be considered, that you must also provide some means whereby the party responsible for the measure can explain and defend it and make the critic responsible as well as himself for what he says, for irresponsible criticism is as dangerous as criticism on the other side.

The CHAIRMAN. You can not do that; you can not control the press. A great many writers on the budget seem to have been writing on a subject that they do not know much about. They have been maligning the Congress and persisting in saying that Congress was extravagant, and proceeding on the theory that the fault all lay with Congress, when, as a matter of fact, for 20 years there have been only two years when the total appropriations of Congress were not less than the estimates; two years the appropriations exceeded the estimates; and in 20 years the total reduction in estimates was over \$500,000,000. And if we take this year it is over \$2,000,000,000.

Mr. TEMPLE. Isn't it, Mr. Chairman, rather difficult to concentrate responsibility where the Constitution of the United States absolutely restricts the powers?

Mr. CLEVELAND. Well, now, on that question as to whether criticism can be made responsible and the question raised by Dr. Temple, as to whether or not under our system of Constitution this could be done, it seems to me possible in the first place that the muckrakers' statements are accepted because they are unanimous.

Mr. HAWLEY. And get into good magazines.

The CHAIRMAN. And generally false.

Mr. CLEVELAND. Yes; now, my question is this, as to whether or not Congress has not fallen short of the means of providing against or protecting itself against that kind of news by not organizing to hold the position responsible instead of simply using gag-rule?

The CHAIRMAN. This is altogether a different question from the budget.

Mr. CLEVELAND. Now, the only way you can make the opposition responsible is to bring them out and make them face the men they are attacking, and the only way you can do that is to make them face the men and divulge their information or make them admit they are speaking without information. Now, that has been the

reason for the opposition leadership in places where you have a responsible party. And it was not on the motion of the opposition that it was done, either; it was done on the motion of the party in power in order to protect itself against just this kind of muckraking you are talking about. Now, it seems to me, therefore, that there is something to be done in order to protect Congress from muckraking, and that is for the majority to force the other party to come out and make them face the opposition in order that the man who knows most about it, make the opposition support his attack.

The CHAIRMAN. But there is no opposition in Congress on that proposition; it is a unit on that proposition; and these appropriations have been necessary and the opposition has come from the outside.

Mr. CLEVELAND. But why shouldn't it be that way under a system that the bills come in under committees and not by the administration?

The CHAIRMAN. Yes; they are based altogether on the Book of Estimates.

Mr. CLEVELAND. True.

The CHAIRMAN. I can not recall a single appropriation that has been enacted by Congress in recent years that has not been based on an Executive estimate. Take the rivers and harbors bill; \$900,000,000 since we have been appropriating for rivers and harbors.

Mr. CLEVELAND. True.

The CHAIRMAN. And every item asked for by the Chief of the Engineers of the departments, and having the approval of the Secretary of War. Take the Post Office bill. So much attack has been made upon it, that whether it is for a small place or for New York City, the appropriations have come from the executive departments.

Mr. CLEVELAND. Necessarily the estimates must come from the spending officers. They have come from the spending officers directly to the Congress. It must come from Congress if there is any report. If they go to some executive officer for examination it has been the result that more reductions have been made there and you will find in States where they have adopted the executive budget they have kept the budget 10 per cent to 20 per cent below those

The CHAIRMAN. What do you mean by special act?

Mr. CLEVELAND. By special bill; independent Member's bill. In other words, Congress should not be deprived from providing any organization for public service that might seem best simply because the President did not put it in his measure, or was not willing to accept the responsibility if it were urged upon him, but if there is to be any way whereby a Member or a citizen can distinguish what is Executive responsibility from that of the initiative of 435 Members of the House and 96 Senators, why there must be a line drawn as between things which are accepted as administration measures.

The CHAIRMAN. Now, take the commission budget; is our form of Government suited for a commission plan of budget such as some of the States have adopted, do you think?

Mr. CLEVELAND. Well, I would say that the theory of organization—the executive and administrative organization of the United States Government is ill adapted to a commission government and that congressional machinery is ill adapted to an executive budget.

The CHAIRMAN. The commission budget, as I understand it, is to provide by law for a commission that shall go into the question of estimates and expenditures and then submit to Congress, or submit to the legislative body a budget of the necessary expenditures for the next ensuing year?

Mr. CLEVELAND. A commission budget; commission budgets have developed along two lines: One a commission made up entirely of administrative or executive personnel that are formed or organized as a board or commission for the purpose of receiving from various administrative groups and commissions—it is only in States where they have government by commission form or organization that these obtain—various administrative boards and commissions bringing their estimates before a supercommission, we may say, that undertakes to formulate a financial plan without dictation or overlordship or superiority or overriding lordship from the governor or executive.

These boards are commissioners having tenures either longer than the executives or being ex officio, and beyond the majority and beyond his control; that is one type. Another type is one in which there is a mixture of administrative and legislative personnel. Usually the legislative personnel being ex officio the chairman of the finance committees and the chairmen, perhaps, of the two houses, but a personnel ex officio relating to matters of financial policy and control, as in the case of the speakership, on the one hand, and the finance officers, usually independently elected and others appointed by the governor, on the other hand, sitting as a sort of joint legislative and executive board preparing a measure to be brought before the membership of the deliberative body deliberating on the budget. Now, those are the two kinds of commission budgets developed in this country.

The CHAIRMAN. You say there are 19 of those?

Mr. CLEVELAND. I think there are 19 executive and administrative boards or budgets. There is California and Connecticut, although that was repealed in 1919, and there is Washington and Louisiana and Tennessee and Kentucky and West Virginia by constitutional amendment, and Alabama and Montana are of the mixed or legislative type.

The CHAIRMAN. Have you made any study in regard to the efficiency or economy that resulted in the adoption of this new type of formulating a budget?

Mr. CLEVELAND. Yes; in this way that we have attempted to find out how those systems have operated where they have been in use long enough to get any results, and of course the first result, one of passing an act of appropriations, long enough to have any action under it; and the second result, that of administration. Now, in Wisconsin, Wisconsin passed her budget law—her first budget law. I think was passed in 1911. Rather there was a State board of public control organized in 1911 to make inquiry into the matter of administration, and I think in 1913 they passed a budget law.

But the results of that from an administration standpoint or point of view, have been very good, and I think from the point of view of plans have been very good, but the whole organization of the State is on a government by commission basis and they have simply adopted a controlling machine here that lends itself to effective operation with that kind of an administration machine, and with their kind of legislative organization. The whole drift of public law in Wisconsin for the last 20 years has been to minimize and practically short-circuit the powers of the legislature and the government and administration of the governor and to put both the powers of the legislature and the executive control in the hands of a multitude of commissions and they have gone to the point of passing continually all appropriations for those commissions so that their appropriations were made really to make them in the nature of an endowment unless there is a repeal and taking it out of the hands of the administration.

The CHAIRMAN. You do not think that kind of administration would be desirable in the United States?

Mr. CLEVELAND. Well, leaving out of the question whether a government by administration plan would be desirable, we haven't it.

The CHAIRMAN. There would be no responsible effort with any elective officer for a budget?

Mr. CLEVELAND. It has been the whole purpose and the whole vision of those who are back of the drive in Wisconsin to get the government out of politics, as they call it, which means to get the administration so organized that no one who is elected to office can have anything to do with the determination or direction of its policies. In other words, it is a vote of lack of confidence in popular government from the viewpoint of putting the people in control of the administration except by their own operations.

The CHAIRMAN. Putting the government in a position where both the legislature and the government can buffet about the ball of responsibility without assuming responsibility at all?

Mr. CLEVELAND. Yes; and definitely taking out of their hands the possibility of leadership excepting that in the long run the course of public opinion will so run—in the lifetime of the very tenure of commission that they can merely shift things about that they will square with the public demand.

The CHAIRMAN. Now take the legislative commission which you have referred to as adopted in New York and Arkansas. Just explain that to the committee if you will, Doctor?

Mr. CLEVELAND. Well, I think that might best be explained by explaining what happened in New York.



The CHAIRMAN. Very well.

Mr. CLEVELAND. In New York they did actually enact into law and made it a matter of statute what had theretofore been the practice, of providing for the formulation and initiation and the sponsoring of appropriation measures in a committee of the legislature. It happens that in their system they have a committee in each of the branches of the legislature. In other words, while they have various departmental committees for the initiation of measures, as there are in Congress, when it came to a matter of financial responsibility there was a central or certain committee that undertook to receive the estimates and have hearings and formulate as an expenditure measure or measures, as the practice runs some 60 or 70 measures usually came out sooner or later, and their revenue bills.

Now, the law of 1916, called the Sage-Meyer bill, was a measure to prevent the thing which happened before when the governor brought forth his measure, to this extent, at least, that while the governor was asked to submit his proposition this budget committee, as we may call it, made up ex officio of certain members, other members, and provided with a staff, was made into a recess commission, or committee, that was empowered while the legislature was not in session to make investigations of departments and institutions and to receive from the bureaus their estimates and to critically review them and to prepare a summary which would be made available for the committee and which after the committee had passed upon it would become the measure before the appropriating body. Now, may I say first, that it was an incorporation into law of practically the proposition made by Mr. Fitzgerald here in Congress when he proposed to go back to the ante bellum practice of having one appropriation committee, and partly, however, incorporated Mr. Sherley's provision in so far as it had ex officio members upon it, but providing this leadership, you might say, within the appropriating body itself. Now, what has happened there has been that the appropriation measure has not been brought before the house before near the end of its session. Nobody has known—although the governor has submitted in an advisory capacity just as definite a proposition as before—the committee butchered it, although he has submitted such an estimate, until Albert E. Smith was governor; during Mr. Whitman's administration they had before them this proposition.

The CHAIRMAN. That is the definite proposal of the governor?

Mr. CLEVELAND. The definite proposal of the governor; that went before the committee and the committee went into its hearings and finally came to the conclusion and with various amendments it was brought out by the end of the session and went through practically without discussion, and was passed and went to the governor and the governor exercising his power of veto, really holding that so far as the public went the governor's inquiries and hearings for the purpose of exercising veto, being the only publicity given. Now, that is the way the thing has worked out there. The distinguishing characteristic of the legislative budget, I think, we may say, is this, that the legislative body initiates through a committee, and they are to be passed upon by its membership.

The CHAIRMAN. And that committee is in session continually?

Mr. CLEVELAND. Yes; it is a recess committee; and it undertakes to review expenditures; the committee undertakes to conduct

inquiries; to exercise the functions of criticism and to assume responsibility for leadership. The executive supplying information requested and exercising the function of veto or disapproval and for that purpose giving publicity in certain hearings after the bill has been passed where he goes independently into the matter that has been discussed in the committee room, but which had not been discussed on the floor. Now, as distinct from that, in Illinois, for example, the other place where the executive budget is more fully operated; the budget is initiated, the executive has reviewed the estimates or expenditures and revised and reduced; the executive has assumed responsibility for the plan or the program that is incorporated in the request as well as going before the body and submitting himself to inquiry with respect to possible expenditures.

In other words, putting himself in the position of accountability. The legislative committee has put itself in a position of inquiry and criticism and approval or disapproval, and in Illinois, for example, the governor imposed upon every member of the administration a definite rule that no member of the administration should approach any member of the legislative body with requests for increases until or after it had gone through the regular channels; there was only one exception so far as I could find out that obtained where an appropriation for \$50,000 went through for damage for flooded lands along a river and that had not come into the proper channel and the man was reprimanded and the governor vetoed the item and cut it out of the bill when it came to him.

The CHAIRMAN. Under the constitution the governor can veto individual items in appropriation bills?

Mr. CLEVELAND. I understand so. There is one thing that has not been developed. May I say this, that in the 22 States that have adopted the executive budget about half of them have undertaken to do it without any change in their administrative organization, the result being that the executive has been so seriously handicapped that I think we may say that it has had almost no effect on the practice, and surely has not accomplished the purpose of fixing responsibility or of giving publicity, throwing the light of day on what was going on or what was proposed.

In other words, in the case where the executive budget has been attached to the executive machinery they have attempted to do it without the change of a machine that was not adapted to that kind of attachment, and which in itself was really a government by commission organization, or a very much decentralized organization, with no thought given to fixing the responsibility. In fact, the whole purpose was to make the executive impotent, and in most of the places make the legislatures impotent, both by inhibitions of amendment to the constitution and restricting the powers of the legislature by limiting the length of their sessions, by making their sessions once in two years, and in various other ways I have adverted to, the whole thing has been a degeneration, you might say, or a working away from the theory of responsibility, with the idea of getting down to the conscience of a commission that was free from obligations.

Now, with that kind of machinery they attempted to graft on the executive body, and so far as I can make out it has been a signal failure; whereas, in certain other States, notably Illinois, and following Illinois, in this last year, Idaho and Nebraska, they have under-

taken to install another kind of administrative machine, one that heads up to the governor, one similar to that in the Federal Government, and in that they have undertaken to develop executive budget procedure. Therefore I would say, in response to your question, Mr. Chairman, that the experience in the States would indicate that if the United States Government is going to develop a budget procedure it either ought to be along the line of a further development and a better allocation of the Government responsibility on the theory that the President is the head of administration, or it ought to be on the theory, with properly underlying developments, that all the initiative in matters of administration, program, and finance should come from the committees in Congress and not from the administration. It ought to accept one theory or the other; and whatever it should do, it should develop a procedure that would be consistent.

Mr. GOOD. What have you to say in regard to a change in the system of audit and control of expenses?

Mr. CLEVELAND. Well, the audit and control of expenditures in any event ought to be so organized for, and developed, that Congress would have an independent source of information—the Members of Congress. I think, without any question, there is a well recognized function of independent auditorship in any large, going concern, that has for its purpose the giving of information to the members of the controlling body.

Mr. HAWLEY. Have you in mind the system that prevails in England, where they have a controller and auditor general?

Mr. CLEVELAND. I have in mind the system that is usually found in corporations, the system that has been utilized, or is being utilized, in the executive budget States in this country, where there is an independent auditor.

Now, I may say that the independent auditorship in the States in this country has not been very thoroughly developed. The supervision of expenditures has been very thoroughly developed here in the office of the comptroller in order to prevent expenditures being made in a way that is not authorized. That has been developed. But from the viewpoint of informing Congress with respect to the things that are to be brought to its critical attention, whether of expenditures or estimates, that has not been developed here, and it has not been developed to any great extent in the States. But in the State of Illinois, for example, and in the State of California and in Ohio and in Wisconsin, in the States both of the commission and of the executive type, they have undertaken to provide a machinery whereby some responsible financial agency can review the administration needs before authorization is given to spend, after the budget has been passed.

In other words, there is a system of allotment that is imposed, and, so I understand, it has been in use here in the Indian Office, for example, or as it has been used to a considerable extent during the war emergency, whereby a large appropriation having been made before this is available for use by particular officers, they are required on occasion to make a requisition and to support this requisition with reasons, and to have it approved, before they are authorized to spend the money, that being a means of putting the executive in the saddle

during the time the money is being spent. Now, that is the way it works out in the executive States.

But in the commission States it is the commission that has this facility given, in so far as it has been developed, and you have the executive relieved from that responsibility.

In California and in Wisconsin, for example, the commission is very largely relieved.

In Ohio it has not operated very effectively because the budget commissioner, as he is called, the reviewing agent there, is dependent on cooperation with the auditor, and the auditor is an independently elected officer, and he has not cooperated; and there has been that kind of proceedings in vogue.

I will say that there are two essentially different auditing functions aside from the preparing of a budget. One has to do with the regularity and legality of expenditures, to ascertain whether or not the amount expended and the manner of expenditure comes properly within the authorization.

Mr. HAWLEY. Would you provide that congressional authority might raise that question of legality of expenditure before contract was made or before expenditure was made by the departments?

Mr. CLEVELAND. That is very often done. That is the British system. That is, the comptroller general is an official of the Parliament, and in order that he may pass, apparently, and have brought to his attention, subject to his approval or disapproval, every current transaction, he must approve, but his approval is upon the expenditure and not on the exercise of discretion as to whether or not the purpose is a proper purpose.

Mr. HAWLEY. Do I understand you to say that the auditor, the comptroller general, if he sees fit, may stop an expenditure?

Mr. CLEVELAND. Only in so far as it is known what his decision is to be after it has been made. In other words, he will not allow it

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so if there is anything questionable, it may be stopped before the horse has been stolen; that that is a machinery that is essential because it is administrative in type, and is not a part of a reviewing machinery that has to do with accountability, primarily.

Mr. HAWLEY. This congressional authority, then, should not be permitted to stop an illegal expenditure?

Mr. CLEVELAND. Oh, yes; if it comes to his attention. But he is not in a position to say that he will not make that a charge on the public Treasury, even after it has been spent; and if the spending officer is personally liable for it, either to get it back or to pay it out of his own pocket which is the present system, then they are going to ask him a good many questions, and if they have any doubts at all, the question is, when in doubt, to go to the comptroller, and the law permits anyone in doubt to ask for advance information, which is binding.

Mr. BYRNS. Doctor, I can see where it might be a sort of invasion of the Executive function for the auditor general to undertake to pass upon the inception of an expense, but would that be true in passing upon the question of whether or not an expenditure was allowed by law?

Mr. CLEVELAND. I would say that such an absolute requirement that all requisitions of funds should pass before a comptroller before they are passed upon by some administrative bureau, for the information of the Executive as to whether or not he would authorize them, would simply gum up the works without any purpose, because his purpose there is to look after the legality, and if a man is made responsible for dealing not in accordance with law, he is going to see the comptroller as often as may be necessary. It is an entirely different purpose. One is an entirely executive purpose, which has to do with the direction of service, how the money is to be spent, assuming that Congress can not foresee every little expenditure.

Mr. HAWLEY. Suppose that a department is making contracts to purchase a certain kind of automobile trucks, and another department is going to contract for a thousand of those at an advanced price—at a different price. Should this comptroller general have the right to raise the question with the department that it ought not to make that purchase at that price, there being other departments, or another department, purchasing the same things at another price which is less than that which the second department is contracting?

Mr. CLEVELAND. I should say Judge Warwick is the man who could answer that question.

Mr. HAWLEY. You are making the plan. I want to know whether in your judgment he should have that authority.

Mr. CLEVELAND. I would say that the advice of the auditor general or the comptroller and auditor general, so far as his administration is concerned, should be on the initiative of the administration, but in so far as Congress goes, it should be at the initiative of the auditor; in other words, that if anything has gone wrong, the Congress should be informed.

Mr. HAWLEY. Why should he not be permitted to prevent things going wrong when he knows they are going wrong?

Mr. CLEVELAND. It possibly might be a desirable thing, if there is any way of bringing it to his attention without having him interfere



in advance of the intentions of the administration. The comptroller general would be busy enough in reviewing their acts without going into their intentions, because he can review their intentions after the act, and hold them responsible.

Mr. GOOD. You see, this is the advantage of creating a system of independence.

Mr. CLEVELAND. I should say so. There ought to be one independent auditorship, and there should be an auditor in each executive department—

Mr. GOOD. A purely executive auditorship in each department?

Mr. CLEVELAND. Yes; and a purely independent means of bringing executive judgment to bear on administrative questions before the results are obtained.

I should say that the person that is going to serve the executive must be trusted. The executive is not going to take the judgment of somebody he does not trust, whereas Congress is looking for independent judgments. They are not looking for partisan or colored views. What they want is a judicial statement for the information of everybody, and therefore I think that the independent auditorship ought to be a quasi judicial function and on a quasi judicial tenure basis.

Mr. GOOD. You have had some tables in regard to the legislation in various States with regard to the budget?

Mr. CLEVELAND. Yes, sir.

Mr. GOOD. When you come to revise your remarks, I wish you would put that analysis in the record, so that we may have it before us.

Mr. HAWLEY. Before we close, Mr. Chairman, I would like to ask Mr. Cleveland two or three more questions.

Mr. GOOD. Very well. We have another man here, however, to be heard.

Mr. HAWLEY. Under your suggestion, the budget comes to Congress. In your judgment, is it better for that to come to one committee or to the number of committees we have now?

Mr. CLEVELAND. I would say that if you have an executive budget, if you decide in favor of the executive budget, or carry out the evident spirit of the bills that are now before Congress, it would be necessary only to have in mind the purpose of such inquiry in order to settle that question. That is, the purpose would be to provide for and develop and give information necessary to leadership, to a whole membership; and therefore you might have as many committees as you desire, but they should be of two kinds. One should be for the proposing leadership, the sponsorship for the thing suggested, and the other should be for a critical arrangement of the measure.

Mr. HAWLEY. So that it might come to one or to several committees?

Mr. CLEVELAND. You might have as many committees as you desired.

Mr. HAWLEY. These committees, I take it, could modify proposals of the executives if they thought it wise?

Mr. CLEVELAND. The committees that were there for the purpose of furthering or advancing the measure necessarily would act in the capacity of friendly counsel, and might bring about all sorts of amendment with the approval of the executive; and so the opposition, through its opposition, might show barriers to avoid which might

be desirable; but the amendment would come as the proposition of the executive.

Mr. HAWLEY. No amendment, then, could be made by a committee reporting to the House, except with the approval of the executive?

Mr. CLEVELAND. Or except to recommend a reduction.

Mr. HAWLEY. When the bill comes reported by a committee, suppose there were several committees and they reported individual bills, and it comes on the floor of the House, would you allow the Members of the House to offer amendments decreasing or increasing the items?

Mr. CLEVELAND. Decreasing or increasing the items?

Mr. HAWLEY. Yes. Suppose they recommend \$25,000 for some particular purpose. Would you suggest that an individual member could reduce that to \$20,000 or offer an amendment increasing it to \$30,000?

Mr. CLEVELAND. If it were made in order, if it were a question in order, to reduce, then it would be open for any Member to make such a motion.

Mr. HAWLEY. I am not talking about the rules of the House, because we can amend them. What would your suggestion be for orderly procedure along the lines of your talk? Should an individual member, if it was on the floor of the House, have the right to offer an amendment there, decreasing or increasing an item?

Mr. CLEVELAND. I would say that that would go along with and be consistent with this if it was for decreasing, but not for increasing. In other words, if you are going to hold the executive responsible for the totality of the budget bill, you could not give to every Member the right to increase it and still hold him responsible.

Mr. HAWLEY. Of course no amendment would go in without a majority vote.

Mr. CLEVELAND. That is true.

Mr. HAWLEY. Policies are as frequently adopted in this country by the legislative as by the executive, and, the policy being adopted, the method is to make an appropriation for carrying it out or carrying it on. If the membership of the House could not offer an amendment increasing an item to expand a function of the Government, then the leadership on the part of the House generally, or the power on the part of the House generally, to institute policies for the public good would be taken away.

Mr. CLEVELAND. Not at all, because each one would have that power, but it would have to come in as an ordinary bill in order not to confuse responsibility.

Mr. HAWLEY. What chance would an independent bill have in such a case as that?

Mr. BYRNS. With the disapproval of the President, when he has disapproved it?

Mr. CLEVELAND. The only assumption is that he could not smuggle it into the bill, because——

Mr. HAWLEY. It could not be smuggled in. They would read it at the White House. They read them at the White House, and the Executive has a recommendation that that increase has been made for a public purpose.

the Government of the United States and the governments of the countries where they do have executive budgets?

Mr. CLEVELAND. Yes.

Mr. MADDEN. Have you thought about the fact that the executive and the legislative are one in those countries, and are distinct and separate here?

Mr. CLEVELAND. I think I said, before you came in, Mr. Madden, that I would not be in the position of advocating one kind of budget or another except as it would fit the organization through which it had to work, or to which it was to be attached, and I think that whatever is done, if it is anything that is going to be useful it will have to take cognizance either of the existing machine, that the existing machine is going to be continued, or of the changed order of things, if there is to be a change.

When you asked me whether or not I have taken into account these differences, I assumed that you had some particular element of procedure in mind.

Mr. MADDEN. No; I just wanted to know whether you could operate successfully under the suggestion which you have made, within our form of Government. It would be quite easy to operate under your suggestion under the English form of government, for instance, where the appropriating body is the executive body.

Mr. CLEVELAND. I think that this is to be said, that under any form of foreign executive budget system there is a responsible cabinet; if that is what you mean.

Mr. MADDEN. Yes.

Mr. CLEVELAND. And that here, in this country, we have not a responsible Cabinet from the viewpoint of that Cabinet being held responsible to the representative body or by appeal to the electorate.

Mr. MADDEN. That being the case, what would you think about the recommendation just made by the gentleman who preceded you?

Mr. CLEVELAND. I would say when it comes down to the question the whole matter of budget procedure comes down to the question of whether you are going to try to establish executive responsibility; and secondly, by what means are you going to have the means of enforcing responsibility made effective. That involves the question of whom you are going to make the Executive responsible to. If you are going to make the Executive responsible to an electorate, or, let us say, first to a representative body, to Congress, that involves certain steps to be taken, which I believe can be taken in this country if they are desired.

Mr. MADDEN. But they would have to be by constitutional amendment?

Mr. CLEVELAND. I believe, without any change in the Constitution. That is, I believe there can be developed in this country an executive cabinet system without change in the Constitution; and then there is the further question to be considered, and squarely faced, by those who are going to decide whether you are going to have an executive budget, as to whether you want that to go further; namely, as to whether you want to have an appeal to the electorate. Now, those are two links in the chain of responsibility in every budget system. First, the question of responsibility to the appropriating body, or, that is, this constitutional principle of co-

bureau as he had to get it before the legislative budget's bureau, and either one is just as apt to turn it down.

It is turned down in the one budget bureau or the other. Now, in the case you have an executive or legislative budget system, his only recourse is to go on the floor and introduce a bill.

Mr. GOOD. We will have to ask Mr. Cleveland to suspend his statement at this point, because Mr. Loree is here at our request, and he has to leave town at 4.30 o'clock. We can recall Dr. Cleveland, Mr. Hawley, if you wish to ask him more questions. Do you expect to be here to-morrow, Doctor?

Mr. CLEVELAND. Yes; I expect to be here for the purpose of attending your sessions, if I may.

Mr. GOOD. Yes. There are some further questions that Mr. Hawley wants to ask you, and we will recall you.

#### STATEMENT OF MR. F. A. CLEVELAND, Resumed.

Mr. HAWLEY. Dr. Cleveland, the purpose of my questions is this: It has been the practice now in Congress, I guess from the beginning, for individual members to offer amendments on the floor of the House to any bill that is pending, under the five-minute rule, except when they are brought up under a suspension of the rules. I think this committee is going to report a budget bill, a bill for reform in the budget system. The practical problem is to get that through the House; to get it adopted by Congress; and the purpose of my questions was to develop a reason, if it became the judgment of the committee to eliminate that power of offering amendments on the floor of the House by individual Members or groups of Members, to get into the record a sufficient argument to meet any objection that might exist in the minds of Members. That was the reason I was asking you those questions.

Then there is that other side of the question, of the inauguration of policies by Members of the Congress as a whole. If you have any further comments to offer on that, I will be glad to hear you, and I think all the members of the committee would.

Mr. CLEVELAND. It occurred to me in response to that question that in every plan that has been proposed for an executive budget, it has been necessary to make certain concessions or modifications in order to meet what seemed to be the practical requirements of the situation, either political situation or other situation, and with that in mind I think you will find that there is not an executive-budget law that has been passed in this country that has gone on all fours along the line of what seemed to be the requirements, in principle, for the successful or the most successful operation of an executive budget. That is to say, there has always been some doubt about it. Usually the doubt has been in making concessions to a parliamentary or legislative practice. For example, although it would seem that any budget procedure must necessarily take into consideration the rules of the deliberative body, its intent and purpose, if it is to be made effective, that there has been no effort made to revise the rules in any place except where constitutional enactment has been passed or amendments have been passed, and then only by way of a limitation.

Mr. MADDEN. In making the recommendation for the executive budget have you taken into consideration the distinction between

Mr. CLEVELAND. How are you going to coordinate them? Along what lines of executive responsibility, then, are you going to make the executive responsible, and responsible to Congress? Now, I am not proposing this as a thing to be accomplished; I am only saying that in case it is the desire of the majority of the people of the United States, and in case it is the best thought, that there should be a responsible Cabinet, it can be effected by change of the rules, and that it does not require a constitutional amendment.

Mr. MADDEN. No; they are not recognized under the Constitution, of course.

Mr. CLEVELAND. I mean our Constitution is ample for doing that, and you can have a responsible Cabinet and make it effective to such an extent that the President could not have anybody in the Cabinet except those who could get the support of the majority.

On the other hand, if you want some other kind of theory of government established here, there are some developments that could be made. But my point is that whatever be the method that is undertaken it ought to be consistent, and the committee should have in view making the whole machinery consistent.

Mr. MADDEN. Now, I will ask you to explain what I understood you to say. In recommending an executive budget with the right of the Chief Executive, if I may so state it, to dictate the amount of appropriations without the right of the Congress to modify them except downward, would there not be likely to develop a tendency to make the power of the Executive so autocratic that it would become offensive to the people?

Mr. CLEVELAND. Well, assuming that the Executive were responsible—that is if you look upon the Cabinet as the executive, now—a responsible Cabinet——

Mr. MADDEN. But I am talking about the President.

Mr. CLEVELAND. If you are speaking of the President as the Executive, with a four-year tenure established, you can not make that assumption consistent with the executive budget, with the responsibility to Congress. The only way to make an executive budget consistent with responsibility to Congress, practically, is making the Cabinet responsible.

Mr. MADDEN. With the power in the President to select the Cabinet, and with only the necessity for a confirmation by the Senate, with the House having no jurisdiction, how could you shake away any part of the responsibility or power of the President and not disturb the relations of the Cabinet with Congress? I am asking for information.

Mr. CLEVELAND. I will answer from the viewpoint involved, namely, that if you assume executive responsibility, and if you assume that Congress has control over the purse and can and will decide whether or not it will grant or refuse the requests for appropriations made by the Executive, in other words join issue with the Executive, then you must face the contingency which you now face as to what will happen when you have a deadlock. At present, when you have a deadlock, the only thing that you can look forward to is a compromise. Otherwise there is no appropriation.

Mr. HAWLEY. There is a possibility of passing it over the President's veto.



Mr. CLEVELAND. But, assuming that you have not a two-thirds majority, which seldom happens, as a broad proposition; now, assuming that you have not two-thirds majority in favor of your budget or appropriation act, assuming that there is a deadlock and the Executive is going to stand by his plan, and Congress is going to say that they will not appropriate for that plan, the only thing you can now face is a compromise. Otherwise, your administration expires on the 30th of June by law.

Then you must have a compromise, which is simply a confusion of responsibility again, or you must choose between some method of making the Executive command the support of the majority.

Mr. MADDEN. That is to say, you would compel the executive branch of the Government to come to the terms laid down by a majority of the Congress?

Mr. CLEVELAND. Yes; if you are going to make the Executive responsible and give to Congress the power to control the purse and an administration thorough control over the purse, the administration has to come to Congress, ultimately, and the majority of Congress, and if that is a desirable thing to do in the interest of defining and locating responsibility, then the only attitude for Congress to take in case it can not approve this budget as it is submitted under the conditions which will preserve that responsibility, is to say, "We do not care to consider your plan any further, and we do not care to consider any plan by the people that put up this plan."

Mr. MADDEN. That is the same condition that prevails now, exactly.

Mr. CLEVELAND. And then what can the President do, under such circumstances? The only thing that a President could do, assuming that the people supported him, would be to reorganize his Cabinet so that he could get a majority, so that they would bring in a plan that would get the support of a majority. Now, that is entirely consistent with our Constitution, although it is entirely opposed to our practice, and is entirely opposed to all thinking in this country.

Mr. MADDEN. Have you proposed in the recommendations that you make that the Cabinet would act as such in the making of a budget, and not the bureau itself?

Mr. CLEVELAND. That there be executive responsibility and solidarity of responsibility in the Cabinet, as being the proper executive advisers and the advisers of the President in the conduct of business.

Mr. MADDEN. In other words, you place that responsibility squarely upon the shoulders of the Cabinet?

Mr. CLEVELAND. I do not think you will ever have an executive budget operating under a four-year tenure in this country on any other plan than that of having a responsible Cabinet; but my point is that a responsible Cabinet is entirely consistent with our Constitution. It is only inconsistent with our practice and our type of political reasoning in the past.

Mr. MADDEN. And on the assumption that it will be difficult to obtain such a desired end as you suggest at an early date, what alternative would you then suggest to get some halfway measure that might be, in a measure, satisfactory?

Mr. CLEVELAND. I would say that the alternative would be, that is assuming that it is desired to adhere to the principle of an executive

budget as distinguished from a legislative budget, because the congressional budget is not adapted to the Federal scheme, at all; it is one or the other—now assuming that this is for its own advantage for the advantage of the Government as well as more consistent with popular opinion to have the Executive responsible for taking the initiative on matters of administrative and financial concern, and to have Congress as a representative body to sit as a grand jury of inquest, and final determination of matters of policy, with power to initiate in so far as it did not confuse responsibility; assuming that then I would say that if steps are taken to define responsibility, and lead the country and its machinery of government up to a practice with clear definition of responsibility, that then the issue could be settled, and settled by making it a public issue.

Mr. MADDEN. How are you going to make it a public issue if the President has the power to dismiss members of his Cabinet and substitute others for them?

Mr. CLEVELAND. I would say it could be made a public issue in this way. Let us assume, now, that you had such a budget proposed now in such a budget mechanism now in operation, which required the administration to prepare and submit to Congress a definite program of administration and a definite scheme of finance; assuming that the line of responsibility is to be kept clear to come before Congress.

Now, in the meantime let us further assume that there had been a proper organization in Congress to thoroughly prepare for the consideration of such a proposal or budget, by those who stand in general policy against the administration as critics, and by those who stand for it, proadministration, as promoters of this measure.

Assume that this measure is brought up, and it is brought into a committee of the whole procedure, with all this preparation, with the opposition counsel present, we will say, and with the members of the administration there to explain and defend. Now, if you will follow your analogy you would have two possible actions:

In the first place, this matter might come up on a motion of opposition, of lack of confidence, we will say; or, in other words, a motion to the effect that they would not consider the budget at all because they did not trust the people who were in charge of the administration; that the people who made up the budget were not the people who might be trusted by the ———, and they were not trusted; and they did not care to spend their time on it at all what is ordinarily known as a vote of lack of confidence, and which would require at once that there be a group of administratives to be picked out, and that, under the support of a majority—that is presumably, at least. Then the next step: This would be equivalent to a hearing on demurrer in a case at law, the first one after joint issue. Now, after the issue has been joined and they come to consider the case on the facts, assuming that that comes before a committee of the whole in the same way, then with counsel for and counsel against—in other words, the critical membership pitted against the proadministration membership, which in that case might be the membership which would not be of the same partisan color as the President—there would be a consideration of each of the services on the merits.

Now, again, you would have the same question. Now, let us assume, in either case, that a majority of Congress refused to accede to or support the proposition of the Executive and the Executive was forced either to continue a deadlock or to put persons in charge there who could frame a program that would receive financial support. If, under those circumstances, your line of demarkation were clear and an election is coming next November, that would be, necessarily, a subject in issue in the campaign. But if it were not, then the whole question would have to be considered either by accepting the principle of a responsible cabinet, or by simply destroying the fundamental concept of an executive budget and going right away from the principle of executive responsibility.

I would say that under the present system the only way that that could operate would be for leadership to develop that would get a public opinion back of it strong enough to support the idea of a responsible cabinet; or, if you developed your procedure up to that point and found you were deadlocked, the only thing you could do then would be to make that an issue without any crisis in administration.

Mr. MADDEN. The only thing to say is that we have got to formulate some scheme here——

Mr. CLEVELAND. Some time you have got to choose what will be the theory and practice of your budget procedure.

Mr. TAYLOR. I was unfortunately absent during a part of your statement. I wanted to ask you this. Have you not got your ideas in some boiled down, concrete form, here, as to your advice to this committee, assuming that there would be some reluctance in giving up the legislative function of Congress, or seriously interfering with the balance of the three coordinate branches of our Government, or extending any further power to the executive department, which has been augmented very rapidly during the last few years; and assuming that Congressmen believe that there is really no reason why we should surrender very much of our power in view of the fact that we have been the saving body rather than the executive body—as between the two; what is the minimum bill, you might say, or provision, that you would recommend that will be practical and will not involve change in the Constitution, and will not involve the change of human nature very much, either, and that can be done with out trying to bite off more than we can chew, and at the same time accomplish something? Have you got your ideas on that matter in some concrete form so that we can digest them, along with the suggestions made by all the others, here?

Mr. CLEVELAND. The recommendations of the Taft Commission, as they considered this matter, are incorporated on, I think, pages 7 and 8 of Report 854 of the Sixty-second Congress, third session. They summarized there the ideas, as far as we went; but as that did not go into the legislative organization and procedure, and purposely did not, the only assumption being that if that much was done toward an executive budget procedure, further steps would be taken in their coordination with Congress to reconcile the two branches of the service. If an executive budget is to be undertaken it must be undertaken on some such assumption in view of the assumption put; that takes into consideration the question raised by Mr. Hawley that we can not go any further than we can go; and then let experience

demonstrate the necessity for going further. But if it can not be foreseen that there will be any outcome other than a half measure, and that the adjustment will be forced from its nature to accommodate the administrative to the existing legislative machinery this legislative budget scheme, as far as it goes, then I should say that you could make it clearly, from the beginning, a legislative budget.

Mr. TAYLOR. We have got to recognize facts and deal with conditions as they are.

Mr. CLEVELAND. Yes.

Mr. TAYLOR. And you recognize that the body at the other end of the Capitol are very jealous of their prerogatives—probably justly so—and it is going to be quite a difficult job to make a kind of a budget system in this country that is going to very much interfere with their prerogatives; and the question is, How far can we go, with public sentiment not any more emphatically crystallized than it is throughout the country at this time? We have it in our platform, but there is no hue and cry, so far, for a budget system, and we have got to do what we can do.

Mr. CLEVELAND. Yes. I think all the bills that I have read seem to assume that in a budget system there are certain inconsistencies, some in one and some in another.

Mr. TAYLOR. You did not agree, as I take it, with President Loree's idea that we can just go back to the legislative committee and get back to where we were 50 years ago and do the whole business.

Mr. CLEVELAND. Unless you accept the principle of the legislative budget. I think then his theory might be accepted and developed in a way to make it square with present day requirements.

Mr. TAYLOR. But you do not believe in the legislative budget, but in an executive budget?

Mr. CLEVELAND. Personally I do believe in the executive budget as the best machinery to work out the problems of a democratic people.

Mr. BYRNS. His scheme would relieve the Executive of all responsibility.

Mr. CLEVELAND. Absolutely; and I think not only all of our practice in the past is against it, but all our present day impulse is against and public opinion would not support that thing, and I think Congress would be very seriously criticized for frankly going back to that proposition. But if, on the other hand, you are looking toward an Executive proposition, then I would think that, however far you are able to go as a matter of a step by step accomplishment, there ought to be a fair and clear vision as to what would be ultimately desirable as a matter of guidance in leadership.

Mr. TAYLOR. I think the opinion would be that if the executive

on there on the 4th of March, 1909, and has been there for 10 years——

Mr. TAYLOR. It came from Mr. Taft's office, and he was supposed to be in favor of a budget, and yet he paid no attention to it for four years.

Mr. CLEVELAND. And taking into consideration that no similar laws, where such measures have been acted upon and a budget has been submitted as in the case of Mr. Taft in 1913, when he did submit a budget, and in the case of some of the States where they have submitted a budget, but where the process of the separation of a definite plan was in the committee, why is it we have not gotten somewhere? Can we not think of ourselves as being in the position of the Executive, and asking ourselves whether, without having any means of explaining and defending and meeting the criticism that might be hurled against the Executive upon the floor of the House, with a hostile opposition there, with the privilege of free speech given to the hostile opposition, and the key turned in the door, that he might be somewhat reticent and feel almost diffident about bringing up something to be mauled around in that way? Is there not something in that way of looking at it?

Mr. TAYLOR. Oh, yes. We are seeing an exhibition of that kind right now from one end of the country to another. If Members of the House were elected for four years, elected at the time that the President came in and served during the time that the President remained, the chances are that there would not be so much of that. I think largely the reason Mr. Taft was defeated at the end of his term was because of a Democratic House coming in during his term and shooting it all to pieces and destroying the effect of it; just the same as we have the Republican House coming in during President Wilson's administration and shooting it all to pieces.

Mr. BYRNS. I hope that precedent will not be preserved.

Mr. CLEVELAND. In the first place, the assumption is now that the Executive plan when prepared will not be considered as such, but it will go to a committee simply as information. In the second place, if it might be, by operation of the rules, brought in and definitely inquired into and criticized and discussed as such, it would be necessary to give to the sponsors a chance to be heard as openly as it would be discussed before the Executive would accept the challenges, and I would say so long as you preserve your committee initiative and leadership you can not expect the Executive to act under such permission.

Mr. GOOD. If there is anything further that we have not gone over, or if the doctor has any additional statement to make, we will be glad to hear him.

Mr. CLEVELAND. I came here, Mr. Chairman, simply to serve the committee in any way that the committee might think I could serve them. I have not anything to propose. As I have said, this whole subject of budget making in my mind is a subject which has to be considered from the viewpoint of the end to be gained, of the thing to be achieved, and of the adaptation of a method which is designed to achieve that thing.

Mr. GOOD. I think we are all actuated by the same desire.

Mr. CLEVELAND. You can not take parts of three or four essentially different kinds of machinery and assemble a good working machine from them.



If there is anything that I have said that may help to carry that viewpoint in this more or less rambling statement and discussion, I shall be glad.

I looked over the bills that were presented simply to know the things which were before the committee, and it seems to me that there are certain things that are inconsistent in the bills, with the executive budget plan, the thing that seems to be under discussion; but I do not know that you care to hear anything on that at all.

Mr. GOOD. What we have attempted to do is to get the discussion of the principles of the budget plan and then, if there is no bill pending before the committee that will, in the opinion of the committee, correctly express that sound plan which could be adopted, a bill will be prepared to meet the requirements.

Mr. CLEVELAND. It seems to me that the committee and the whole country is thinking along the right lines. I think that in the last 10 years for the first time the American people and its political leaders are waking up to the necessity of thinking of government in the terms of essentials rather than in terms of acceptance, and it has become a very live issue, and without any question public opinion is bound to get back to the right thing.

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MONDAY, SEPTEMBER 29, 1919.

**STATEMENT OF MR. WILLIAM H. ALLEN, DIRECTOR OF THE  
INSTITUTE OF PUBLIC SERVICE, 51 CHAMBERS STREET,  
NEW YORK.**

NOTE.—The statements made herein by Mr. Allen were not revised by him.

The CHAIRMAN. Mr. Allen, you are the director of the Institute of Public Service?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. Will you explain to the committee what this institute is and how it is organized and financed?

Mr. ALLEN. It is an organization of citizens interested in keeping citizens continuously awake to public questions and specifically informed with regard to public acts. Our work has been primarily concerned with schools and budgets during the last two years. Our finances consist of such as we earn by making budget studies and city surveys and analyzing school reports and reports of public officers and things of that kind, and in addition to our services our finances are voluntarily subscribed, the major part of our budget, however, having been furnished by Julius H. Barnes, the present United States Wheat Director and president of the Grain Corporation. But the institute was started in 1915 before he had any connection with public work and grew out of an interest in a model school. He became convinced that the best way to secure what he had in mind in the way of a model school was to circulate the facts about the present practices in reference to education, and so the institute has concerned itself with collecting what we call high-spot information about practices in different kinds of Government services, particularly schools and budgets, and then keeping up the circulation of such information.

The CHAIRMAN. You have a board of trustees or directors?

Mr. ALLEN. We have a very small board of five.

The CHAIRMAN. Who constitutes that board?

Mr. ALLEN. Mr. Julius H. Barnes; W. O. Heffernan, former budget commissioner of Ohio, and until quite recently and during the war the secretary-manager of the Wheat Export Co., which was the Allies' food-purchasing concern; Dr. L. D. Upson, director of the Detroit Bureau of Governmental Research; Mrs. William H. Allen; and myself are the five directors. We purposely organized with a small number so that we would not have any figurehead trustees and would not spend time that might be given to work.

The CHAIRMAN. You say that you have now been making a study of the budget systems for the last two or three years?

Mr. ALLEN. That is the Institute of Public Service. I, personally, have been making a study of budget systems for 20 years in charitable and correctional work in the State of New Jersey, later in New York City work, and was instrumental in securing the first fund given toward budget studies in New York City and in having the first budget hearing and the first budget exhibit, and for the last 15 years have given a good part of my time to what you might call budget publicity; that is, in attempting to educate the public through putting out facts about budget alternatives.

The CHAIRMAN. Mr. Allen, this committee has conducted its investigations along a definite line. The hearings have not been confined to any bill or bills and resolutions before the committee, but rather to a study of the principles that ought to underlie sound, budgetary legislation. We should be very glad to hear you along that line.

Mr. GARNER. Mr. Chairman, may I first ask Mr. Allen whether or not his association is incorporated?

Mr. ALLEN. Yes; by special act of the State Legislature of New York.

Mr. GARNER. Where are its headquarters?

Mr. ALLEN. 51 Chambers Street, New York City.

Mr. MADDEN. Have you given any study to the present method of handling the appropriations by the Congress of the United States?

Mr. ALLEN. I have tried to. I was one of a group that raised funds or that got an underwriting, just before President Taft was elected, of a quarter of a million dollars a year for four years, to be made \$500,000 a year for four years if necessary, in order to apply this same principle of outside citizen interest to the study of government in connection with a national policy, which we have been doing in New York. That movement did not result in this outside fund because President Taft decided to incorporate the idea as an inside proposition; but since that time, 1911, I have studied as one can from the outside, through estimates and an attempt to analyze and through talks with Congressmen and clerks of committees and so on, I have attempted to understand from the lay point of view how the work is done in Congress.

Mr. MADDEN. Have you reached the conclusion that the Congress appropriates its money without any consideration?

Mr. ALLEN. No; but I have reached the conclusion that Congress is placed at a tremendous disadvantage in attempting to give consideration to these matters by the way in which the estimates and proposals come to the Congressmen.

Mr. MADDEN. You are aware of the fact that before the Congress begins to act on any appropriations that estimates are made by all of the departments for the current expenses for the ensuing year and that statements of the revenues of the country are submitted with the proposals for appropriations and that there already exists a law which requires the Secretary of the Treasury to assemble all the recommendations of the departments, tabulate them, ascertain whether or not they come within the revenues, and if not, he must make a recommendation to the President of the United States who in turn, is required by law to state to the Congress how they can be reduced, if they are in excess of the revenues or how new revenues to meet the needs can be raised if there is any necessity for new revenues, and that the President has never functioned under that law except once.

Mr. ALLEN. I did not realize it was quite so sweeping a fact. I knew that generally he had not.

Mr. MADDEN. And are you prepared to say how you can compel the President of the United States to function, if we place the responsibility on him for stating a budget of expenses for a given year?

Mr. ALLEN. I had hoped to make a suggestion or two that would give what the present President says is more compelling than compulsion.

Mr. GARNER. More compelling than what?

Mr. ALLEN. More compelling than compulsion.

Mr. GARNER. Mr. Allen, have you ever read the statute of March 4 1909?

Mr. ALLEN. I do not identify that particular statute, Congressman, because as a layman I do not learn them by dates so definitely.

Mr. GARNER. What I intended to direct your attention to is this wonderful revelation to me, as a member of this committee, that a great many gentlemen who have made a study of this matter, as you say you have for three years, a great number of them have written books and magazine articles, and newspaper articles, some of them in a very critical way, and yet when you come to interrogate them, you find out they do not know a thing about what is on the statute books or what is required, or anything about it.

Mr. ALLEN. Yes.

Mr. GARNER. In other words, they have gone off into some little room and have had a theory and have written it out, stating exactly what they think ought to be done, without knowing what is already on the statute books, and without knowing what is being done now. I simply asked you that question, because I have followed that up with a number of the other gentlemen who have appeared here, and have found out that some of them really have not got the situation in mind as it is reflected in the law now, and I just wanted to keep the record straight.

Mr. ALLEN. If that record is being made with respect to me, I would like to state that all I answered was that I did not identify that law by the date. I had read that, and knew that those were the conditions.

I had assumed, gentlemen, that you would want brevity, and while I had not prepared anything further than some notes, I thought we could get together——

Mr. MADDEN (interposing). You make a better speech when you do not prepare one.

Mr. ALLEN. A lot of people have not found that out yet. It is a Congressman's business to know it.

There are five premises that apparently some of you will accept with me.

The first of mine is that an advanced step taken at this time will be worth a ton of prospecting and promising in the future. I think the country really is extremely anxious to have something done and done right away.

The second is that it is budget study and not budget system that will help give economy and efficiency to public business.

The third is that executive misplanning and misspending has been primarily responsible for the waste that is conceded to have been colossal in the past.

Fourth, that Congress should not abdicate its power to initiate or increase estimates.

Fifth, the President should be made responsible for the preparation of estimates within the departments, and then for proper, central review, explanation, and final separation of all of these departmental estimates into a composite, 100 per cent picture of the country's program of work to be done, money required, and method of raising the money.

As to the first point, the importance of one advance step, I apparently need not take your time to discuss that. I understand from a talk with your chairman that you are all of one mind. I simply would like to get it on the record that the public, I believe, not merely from editorial comment but from talking with people, will be immensely disappointed if this Congress adjourns and leaves with no advance step taken in the matter of a budget, but merely more promises such as have been given in party platforms and in speeches for the last several years.

Mr. GARNER. Do you mean the final adjournment of the Congress or the adjournment of the session?

Mr. ALLEN. I mean the adjournment of the Congress, but I would amend it to include session.

Mr. TAYLOR. You understand that this committee is given until next March to prepare its investigation and report, and we might possibly adjourn for a short time so that we may get a little breathing spell.

Mr. ALLEN. But if you close your hearings this week, I believe it is with this matter as it was with the mathematical tests that were given during the war, that it is the fellow who answers quickly that answers correctly, and I believe that with the attention you have given to it long before this week, and with your hearings, it will be easier for this committee to work out the next best step quickly than it will be if it takes six months. But, that, of course, I defer to your necessities which you have in other ways.

The second proposition, that it is budget study and not budget system that the country needs, is really the basis of practically everything I have to say. There may be gross extravagance with the most marvellous budget system that anybody can work out on paper.

Mr. MADDEN. That has been proven to be true in New York.

Mr. ALLEN. That has proven so in New York and has proven so in France and in Great Britain.

Mr. MADDEN. It has proved to be true in Chicago.

Mr. ALLEN. It has proved to be true wherever there is any kind of system, so far as that is concerned.

Mr. MADDEN. They have had a budget system in Chicago for the last 25 years.

Mr. ALLEN. They have.

Mr. GARNER. None of those countries then has adopted the system that you suggest now, budget study rather than a budget system.

Mr. ALLEN. I think it is true, Mr. Congressman, that the real breakdown in France before the war and the building up of a bureaucracy was quite as serious as anything in Germany and the present breakdown in England to-day—England's budget is under fire far harder than our budget has been—you read any English paper and you will find that they are under terrific fire for an extravagance that probably will figure out in percentages larger than anything we had before the war, and it is due to the fact that they have attempted to have some system work automatically without providing the kind of study which I hope you gentlemen will provide for.

Mr. GARNER. I agree with you prima facie that any budget system that does not provide for a budget study would undoubtedly be a failure, but your statement that all the budget systems that have been adopted by the cities or the States are failures——

Mr. ALLEN (interposing). Not all of them but certain specific ones that I mentioned.

Mr. GARNER. Then I would like to have the exceptions put in there because it is very discouraging to say that every system that has been adopted throughout the world has been a failure.

Mr. ALLEN. I was particular to specify them.

Mr. GARNER. What budgets of various States have been successful up to date? You have mentioned those that have been failures—France, England, New York, and Chicago, I believe. Now what systems have been successful?

Mr. ALLEN. I will cite New York as a success also, because New York has been both. New York had a period of budget study. For instance, in 1910 the new city government increased the budget for operating expenses \$600,000 compared with an average increase for the same purposes the preceding four years of over \$6,000,000. and they got more work, they got more extensions of work, they got more improvements of work out of that additional \$600,000 than they have ever gotten out of the six or eight million dollars.

Mr. GARNER. What year was that?

Mr. ALLEN. The 1910 budget for 1911.

Mr. GARNER. Has that been followed up since then?

Mr. ALLEN. It was followed up for several years until some people began to think that there was some merit in the system apart from the brains put into it, and then those people drew back and began to try to let the system run itself, and the whole thing went to pot.

Mr. MADDEN. It will not operate itself.

Mr. ALLEN. No; and any system that does not have this constant check of study, accumulative study, recurrent study, analyses, and analyses, will foster extravagance, and the thing that has made the system in Great Britain extravagant and the thing that has made the system in France extravagant is the fact the system has put such arbitrary power in somebody's hands to dispend the est-



mates of hard-working department heads or division heads without having to give a reason for it.

Mr. MADDEN. Do you think the fact that the English and French are under a parliamentary system of government where the legislative and executive are one, has anything to do with lack of check?

Mr. ALLEN. I think so, decidedly.

Mr. MADDEN. Do you think that under our form of government we could, with some degree of accuracy, succeed in establishing a budget system with proper checks between the Executive and the legislative which do not exist in those European countries.

Mr. ALLEN. Easily, provided you make it reasonably easy for Congress to know what it is all about.

Mr. MADDEN. Of course, that was one of the things involved in my question.

Mr. ALLEN. We hear a great deal about the so-called executive budget, and, for instance, we have the Maryland system——

Mr. MADDEN (interposing). That is a new system which has only been in vogue one year.

Mr. ALLEN. It has only had one chance. We have the West Virginia system with one chance, and we have the same thing now pending in Indiana, and we have the same proposal pending before your committee and before the country.

Mr. MADDEN. We have one started in Illinois.

Mr. ALLEN. That is quite a different proposition. The Maryland governor never spent 15 minutes studying the needs of the departments in Maryland. You asked Congressman, for contrast. We have two methods at work now. The governor of Virginia, in drafting a law, incorporated into the law that the governor should, through his budget aids, between legislatures, study the needs of the various departments. The Maryland provision does not call for that at all. It simply gives power, power, power to the executive, but does not require him to use his power to get light for himself or to get light through his budget commissioners. What I mean by giving dangerous power of arbitrary decisions to an executive officer, or one of your committees, so far as that is concerned, or giving it to anybody without accompanying your gift of power with a requirement that study shall be given to what the communities need.

Mr. TINKHAM. What do you think of the system we now have in the Federal Government?

Mr. ALLEN. I am a bit surprised to hear it called system. I think 90 per cent of the present difficulty is due to the fact that it is impossible for Congress to study, with reasonable ease, what comes to Congress, and it is not required of anybody else that he study it at all, from the man clear down below. In all these budgets, where there are so called budget systems, the thing you must work for is to encourage study by every single party who has anything to do with the budget estimating, and 90 per cent of this whole problem is in the estimating.

Mr. TINKHAM. In other words, you would not even dignify what we now have by calling it a system.

Mr. ALLEN. I am glad to call it a system because it makes my point a little better, Congressman. I did not know that you wanted to call it a system, but so far as study is concerned, there is no system

for study. The division head knows perfectly well that the way he sets that thing up that the man above him can not, with reasonable ease, find out what he is asking for, and all the way up the line everybody knows it is not going to be reasonably easy for anybody to check him back.

Mr. GARNER. Mr. Allen, let us just take a suppositious case. Suppose you were Secretary of Agriculture. I do not particularly know what the duties of that office are, but I imagine that you, with your assistant secretaries, might find out something about the necessities of that department.

Mr. ALLEN. You might.

Mr. GARNER. If you were of a mind to do so. Now, if you were Secretary of Agriculture and had two efficient assistants, like yourself, could you not find out something about the necessities of the various bureaus of your department and whether or not the estimates made by them were necessary or not.

Mr. ALLEN. The trouble is, Congressman——

Mr. GARNER (interposing). Could you not find that out?

Mr. ALLEN. Not with reasonable ease under the present system.

Mr. GARNER. Why not?

Mr. ALLEN. Because the forms for entering my requests of the department are now prescribed and they do not call for setting out information in a way that makes it reasonably easy for me to learn about them.

Mr. GARNER. But you are the Secretary of Agriculture and every man under you is subject to your jurisdiction and direction, and you can direct him to adopt such forms as you see proper.

Mr. ALLEN. No; not if he is going to prepare them for Congress.

Mr. GARNER. No; he is preparing them for you, and you are Secretary of Agriculture, and he is preparing these estimates for an intelligent review by you and is subject to your jurisdiction and direction and you can tell him to indicate any facts you desire and have him bring them before you so that you can determine whether or not they are necessary. Then when you send them to Congress you can then adopt whatever form Congress may have directed. I would still say that as Secretary of Agriculture you would now have the power to ascertain the facts about the matters they are requesting but it simply is not done now. That is what I mean to say exactly.

Mr. ALLEN. It is not done because of the momentum of another

provide for is a means of compelling them to do the very thing that can be done now.

Mr. TEMPLE. Mr. Garner, I would like to say that among the Members of Congress who seem to be pretty well informed about the various departments, there are two Members of the Cabinet who have the reputation of knowing——

Mr. GARNER. Of knowing about their personnel?

Mr. TEMPLE. And the present Secretary of Agriculture is one of the two who has the reputation of knowing what is going on in his department.

Mr. GARNER. Yes; I was simply taking him as an illustration to meet the argument that they did not now have the power or authority to do it. I say now they have the power, whether they have the time or not.

Mr. TEMPLE. There seems to be a great difference among them. Some of them do know.

Mr. GARNER. Yes; some of them do know about their departments and others do not, so evidently each Member of the Cabinet can accomplish the same thing that is accomplished by these two gentlemen we have heard of.

Mr. ALLEN. I want to be on the record as believing that identically. I had not meant to give the impression I did not think they had the power. I meant that it was not reasonably easy for them now to spend their power that way, and I hope very much that your committee will make a very liberal distribution and very definite distribution of disposition by the kind of questions you ask those departments.

You asked me for illustrations. There are many illustrations that could be given. Detroit city at the present time, the city of Jackson, the city of Grand Rapids, the city of Dayton, the State of Wisconsin, there are real studies being given to the departmental estimates there, and Gov. Phillips, for instance, at one time made a cut of \$1,400,000 in the budget as suggested by the joint legislative committee due to a study which he had given to the estimates, and there are many exceptions.

Mr. MADDEN. You are aware of the fact that for more than 20 years the appropriations have averaged much less than the recommendations by the executive departments?

Mr. ALLEN. Mr. Good told me about that this morning. I think the country likes a scapegoat. The country does that because it is easy for anybody to throw a brick at Congress. That is true also with regard to cities and States, and there is no more futile myth with respect to public affairs than that legislative bodies are responsible for the extravagance in the country.

Mr. MADDEN. The reason they assault the legislative body is because they can do it safely in dealing with a mass. At the same time, you want to place the responsibility on some responsible body, because you can point out the fact that it has been extravagant, yet you do not point the executive out for approving extravagant estimates.

Mr. GARNER. The reason we never kick back is because we wait until one of you gets ready to run against us for Congress, and then we show the country that you do not know anything about it.

Mr. BYRNS. Is not the reason for this idea on the part of the country to-day that Congress is responsible for extravagant appropriations rather than the Executive the fact that there is so much misinformation going to the country in the form of magazine articles and I have seen some books the authors of which did not seem to have a clear comprehension of the power that the Executive now has to hold down the estimates submitted by the departments to Congress?

Mr. ALLEN. Unquestionably that is true. Now, I want to make one point about this matter of study. The best man to study the needs of the Division of Animal Husbandry in the Agricultural Department, for instance, is the man who is in immediate charge of it. It seems to me that you would want to encourage that study by asking the kind of questions of the Executive when he submits his estimate to you, that will cause him to ask the same kind of questions of the head of the department, and which, in turn, will cause the head of that department to ask the same kind of questions of the men all the way down the line below, so that each one of them who is responsible for an increase in the budget will have based his estimates upon a careful study of what his particular work needs. At the present time there is no thought of encouraging that sort of study of those enormous estimates by the civil service employees, or by the large army of very high-grade men in the civil service. They should be encouraged to give careful studies and clear explanations of their plans, their estimates of the cost of executing plans, etc., and that should be done by each division.

Mr. MADDEN. If you could sit on some of these committees for about a week and find out how many questions are asked along those lines and how little information is elicited by them——

Mr. ALLEN (interposing). The same thing applies to our colleges and public schools all over this country. For instance, we have a State department of education, and they did not let it be known during the war that they were going to ask any different questions during the war period in their State examinations from those they asked before the war, all of them forgetting, apparently, that children prepare for anticipated questions. So we found last year, when we had boys in the Argonne Forest, that children were asked, for instance, to name the five German tribes that entered Italy about 500 A. D., and to name the five races east of Greece 500 B. C., and questions of that kind. That is all in the world that the State superintendent needed to do this year in the central examinations. He is going to assume the knowledge that all the country has had. My boys took in the high school last year modern history, and they are taking it again this year, and if they last to page 708 they will strike the war of 1914, which is a tip to the effect that 281,000 high-school boys and girls in New York City now are to be required to know about the World War what the superintendents, division superintendents, principals, and teachers will ask. The same principle applies to this question of what you expect in the way of estimates and explanations of them coming in from the executive departments.

Mr. MADDEN. Let me ask you this question: Assume now that we have a budget and assume that we have placed the responsibility for preparing the budget upon the President of the United States; assume that we give him an organization which will have no connection with any department, but will be a purely budgetary organization, with

the power of research and recommendation; assume that the President of the United States, as a result of the studies made by his assistants, submits a budget. How will we ask the questions you suggest before we get the information that he submits and before the time comes for us to begin the preparation of the appropriations under the budget—

Mr. ALLEN (interposing). I am coming to that directly.

Mr. MADDEN. You say that your plan presupposes that we have the original power of research.

Mr. ALLEN. The original power to prescribe the way the President shall make his requests of you. I am coming to that in my last point.

Now, under the second question there, it seems to me that this much ought to be in the record that has not been brought out during the hearings last week, and that is, according to the testimony, apparently, of both parties or both sides, it has not brought out that there has never been an equal percentage of wastefulness, an equal proportion of misplanning, or an equal percentage of misestimating as we had during the war, and yet there has never been a time when the President has had such absolute responsibility. Now, responsibility centered in the Executive gets results, or such results as you are seeking, only to the extent that the people under him and who are accountable to him know something about it or can find out. Merely giving the Executive responsibility and power will not accomplish your object. The theory that if he has that responsibility he is going to live up to a higher standard seems to have broken down, because we do not know of any instance where that has been true. As a matter of fact, responsibility secures results in direct proportion as the public knows what is going on.

Mr. TEMPLE. In connection with your statement that there has never been a time when the President has had so much power, let me say that the estimates for 1919, as received by Congress, amounted to \$30,365,000,000, but the appropriations on those estimates were \$25,266,000,000, representing a cut of more than \$5,000,000,000 in the estimates. How does that correspond with your statement that the President had such extraordinary powers during the war period?

Mr. ALLEN. I do not think it is at all incompatible with the other statement.

Mr. TEMPLE. But Congress, in the exercise of its final authority over appropriations, cut the estimates by over \$5,000,000,000.

Mr. ALLEN. But, as I recall it, some of those cuts were welcomed by the executive because of changed conditions.

Mr. MADDEN. Those figures represent the appropriations made.

Mr. TEMPLE. Some appropriations were recalled by Congress, but the cuts that I referred to were cuts made by Congress in the estimates.

Mr. ALLEN. But where the Executive had the power to estimate, he had the power to take the estimates up in detail and to adjust them within the departments. There has never been such concentration of executive power in anybody's hands, but still something happened to prevent the distribution of this disposition to plan all along the line. With regard to the results of the planning, if it were clearly explained, the congressional committees could easily enough determine whether another alternative would lead to quicker results.



Mr. MADDEN. Of course, there never were any such gigantic undertakings as we were engaged in during the war, and there was no time for that sort of consideration.

Mr. ALLEN. No, sir; I think that is a serious admission. Of course we say that it was all right to be patriotic and to make all those assumptions while we were prosecuting the war, but if the executive office had, in 1917, at the beginning of the war, been required to use the money and power which he had, and which he could have used for this very purpose of having estimates studied, prepared, and presented in a picture according to this standard—I say if the Executive had used his power that way or if Congress had required him to use it that way, or had even asked him to use it that way, I believe that you would have found currently many of the things that Congress is now spending money to ascertain, and much of it would never have occurred. The constant violation of the A B C's of good financial administration would have not taken place during the war.

Mr. BYRNS. Is it not a fact that there has never been a time in the history of this Government when the President had so many expert assistants and advisors in the way of the \$1 per year men who were patriotically giving their services to the country, as he had during the period of the war?

Mr. TAYLOR. It is also true that the American people were intolerant of any delay, and we did not have time to study theories.

Mr. ALLEN. Of course, that is a long story, but I would like to have the statement in the record that I believe it was entirely within human possibility to have gotten quicker results and to have saved millions of lives and millions of dollars by the application of a few principles—principles that the \$1-a-year men had been constantly applying to advantage in their own business affairs.

Mr. BYRNS. Yet they were here advising the Executive. Here was the situation that confronted the Government: The Government had to have enough money for its operations, or the whole thing would have fallen down. The departments did not know from one day to another what would be needed, and these experts, or highly qualified business men, who were patriotic and who were giving their time and service to the Government, looked at it that way.

Mr. ALLEN. But they were not using the procedure that should have been utilized——

Mr. GARNER (interposing). Let me put it to you this way. The largest appropriations, of course, went to the War Department. Suppose you had been at the head of this bureau to ascertain the principles applying to those various appropriations, and the General Staff had come along and said, "We want \$3,000,000,000 for ordnance and we want half a billion dollars for horses," what principle would you have applied to those requests that would have enabled you to advise the War Department as to how much they needed for those purposes?

Mr. ALLEN. I am not saying that Congress could have arbitrarily accomplished any such results, but I do say that if the men who made the original plans had known that their plans were going to be scrutinized, as they now say they should have been scrutinized and as the various congressional committees are saying that they should have been scrutinized, they never would have submitted some of those plans. For instance, let me take salaries as an illustration:

It would not have taken very much of a prophet to have foreseen the result at the time the United States bid up on salaries all over the country, and put screens and moving-picture shows all over the country as a part of the Government service, and it would not have taken very much study of alternatives to ascertain that there was another way of taking care of that proposition.

There would not have been any indefensible salaries on account of purposes that did not have anything to do with the war service all over the country. The same thing was true with regard to food, but I do not know of any concrete illustration that I could use without using some very recent committee disclosures. Of course, the cry would have been raised, "You are obstructing the war," but if the Executive had sent the word all the way down the line that they were expected to take plenty of time and to carefully consider alternatives before making estimates of \$2,000,000,000, those men would have done more logical figuring, would have been much franker than they were and much more definite than they were, and the result would have been the saving of an enormous amount of money.

Mr. MADDEN. Suppose during a battle or while battle was impending, they were short of horses to draw artillery, and the commander in the battle had said, "We need so many horses"; then the men whose business it was to buy horses would have to go and get them, and it would not make any difference what they paid for them. They could not study alternatives.

Mr. ALLEN. Of course, that is not very likely.

Mr. MADDEN. That is just what happened.

Mr. ALLEN. No, sir.

Mr. MADDEN. That is one of the things that happened.

Mr. ALLEN. We had horses there.

Mr. MADDEN. They had to go and buy them anywhere they could get them and pay any price that they could get them at.

Mr. GARNER. Suppose your budget study should be confined to times of peace, or times when judgment could be exercised. You are illustrating its workings in time of war, but I do not think that your budget committee would have any influence upon appropriations in time of war. For instance, one of the criticisms made of Congress, and probably the greatest criticism made of any expenditure was in connection with the airplane service. We appropriated an almost unlimited amount, or \$640,000,000 for that service, and I want to know what you would have done as head of this budget committee toward determining how much should have been appropriated for the airplane service?

Mr. ALLEN. There are two categories involved here. There are a lot of Government departments that had nothing to do with prosecuting the war but which still came in on the wave of increased appropriations, blowing money at a great rate. At this time nobody takes care of that, but if there had been a method in use in the departments by which every estimating division had been served with notice that each superior officer would subject the estimates to analysis as it came up the line, and that they would use a much more rigid analysis with respect to the estimates, and if they had been required to study their estimates and state their alternatives so plainly that any man with ordinary business experience could see them, the result would have been much better. From what we have been told about the price of

wood, their alternatives in the airplane service were so obvious that any man of ordinary business experience could have seen them.

Mr. BYRNS. How could the budget have met the situation at that time?

Mr. ALLEN. I do not think the budget system is worth the paper it is written on except as the system means that Congress is going to require all of the people who ask for money to so clearly base their estimates upon study and to make their explanations so clear, and to state their alternatives in such a way as to show where the increases are, that everybody who has anything to do with it will be able to apply the ordinary business and scientific principles of analysis to it.

Mr. BYRNS. In order to make my position clear, I think that we are all strongly of the opinion that we ought to have some sort of improvement in our method of making appropriations and submitting estimates, and the very strongest reasons can be presented for insisting upon some such improvement, but I do not think that the experience during the war period can be taken as an argument in favor of a budget system, for this reason: Suppose the General Staff had said to the Executive that a certain thing must be done, and Congress would have had to do it. Suppose the Shipping Board and the other war agencies that were organized for the procurement and transportation of supplies had asked for additional funds, or suppose the Shipping Board had asked for funds with which to provide more ships, do you think that a budget committee or any sort of committee or bureau could have held up such a proposition for one moment while investigating the question of whether or not the exact amount they said they required was necessary? In other words, was it not so important that the appropriation should be made at once that the budget system would necessarily have fallen down during that particular emergency?

Mr. ALLEN. No, sir; I will not concede that.

Mr. BYRNS. Did it not fall down in England?

Mr. ALLEN. It did, and, as I said in the beginning, the trouble with the English budget system is that it is not provided with enough study. As I said a little earlier in the discussion, the thing that we want to substitute for the present decentralized action is a centralized study. Now let me say with respect to the budget that it does not hinge on the departments providing the Executive with a centralized group for the studying of all of the departments, but it is for inculcating the heads of the departments with a knowledge of the departments, each studying itself. Now, when the emergency came on, instead of having advisory committees on various subjects, we would have had a central searchlight reflecting information from this department and from that department, and if you had had your knowledge coming to you through that organized prism, or with your organization strengthened at the center, instead of having the center blown to pieces, I think you would have had different results. I believe it is clear now, and that the investigating committees will point out the fact that we could have saved a vast amount of time if we had had more analysis in the beginning. It will be made clear that the method used was not a time-saving device, although it may have sounded so at the time. The reason why the term "executive budget" has caught the public fancy is that the term is easy to hold, and I think that the minute it is explained to anybody that the executive proposals, so

far as they would limit the power of Congress to initiate, would really give a cloak for extravagance, and that it would deny the general public a share in planning for the national expenditures, they will have quite a different conception of the executive budget. When I use the word "executive" I refer to an executive accountable for anything that is proposed.

Now, the fourth point was that Congress should retain all of its powers of initiation or of increasing, with one proviso, which I will come to in a minute. That, I think, is a very important point, in view of the nation-wide propaganda that has strong backing and prestige in favor of limiting the powers of legislatures and of Congress to initiate or increase appropriations. Now, the worst waste there can be in a city, State, or nation is the waste involved in postponing the doing of a thing that is needed. I have in mind a few instances of that sort in New York City to-day. For instance, we are spending a million dollars a year for the repair of school buildings, because we failed to appropriate hundreds of dollars, and in some cases thousands of dollars, for making repairs when they were needed. I heard the other day of one of those executive blue-pencilings of an item in the budget, where an engineer, and a competent engineer, had asked for a boiler and new smokestack and the things that went with them. He got the smokestack and things that went with it, but did not get the boiler. Another department head had asked for a horse and buggy, and the budget commission saved the price of the horse, but provided the buggy. That kind of holding back provision for social needs is the worst possible kind of waste that we can have.

When Lloyd George came into the English chancellorship, he prepared a budget, and he started out by determining what was to be the condition in Great Britain and what they were to have under that budget, and he listed them. The next question was, What does this cost, if we agree that we ought to do this? If it is agreed that it should be done, then it is largely a matter of computation and arithmetic. After he had got the amount that it would cost, the third step was clearly where they wanted to get the money. He presented that kind of a budget to the House of Commons, and the House of Commons passed it. The House of Lords was opposed to it. They did not call him a Bolshevist, and they would do to-day, but they called him a wild man. Lloyd George answered by saying that he did not want any better issue on which to go before the people of Great Britain than the question of whether or not a budget should start out with listing the needs or should start with the money in sight, and he said, "I prophesy that if we have that issue, there will be no House of Lords when we get through." The House of Lords yielded. Now, the reason for retaining power in Congress is that this country ought not to be dependent upon the Executive to decide, for instance, what should be done to improve the ports of this country. Now, it might be that an estimate would be made by the engineers to improve a river or improve a southern port, and not include in the project such ports as New York, Philadelphia, Boston, or San Francisco, and certainly they ought not to be permitted to tie up 110,000,000 people so that they could not make provision for the additional foreign service required.

I think that, indirectly, if we had that, we would practically have what they have in England and what they have in some States.

Wherever we have a definite restriction upon the power of Congress either to initiate, where the Executive has not acted, or to increase where the Executive has obviously not given enough, I would take it as an implication that we should limit freedom of discussion and freedom of action.

Mr. GARNER. May I ask you a question at this point?

Mr. ALLEN. Certainly.

Mr. GARNER. Your position is that Congress ought not to be governed by the recommendations of the Board of Engineers with reference to river and harbor improvements?

Mr. ALLEN. Unless it is information exclusively.

Mr. GARNER. I wanted to ask you where we would get that information? Do you know the method by which Congress makes appropriations for the improvement of rivers and harbors?

Mr. ALLEN. Roughly.

Mr. GARNER. They first send engineers to make surveys, both from the engineering standpoint and the commercial standpoint.

Mr. MADDEN. That originates in Congress, however.

Mr. GARNER. Congress authorizes surveys made, and local engineers make the surveys, both from the engineering standpoint and from the commercial standpoint. The district engineer gets that survey, and it is sent to the Board of Engineers here, and they have hearings upon them. At those hearings all the interests are represented, and their report is transmitted to Congress and referred to the Committee on Rivers and Harbors. Then that committee has hearings, at which the Engineer Corps is represented and in which the commercial interests are represented. Do you know of any method by which you could get better information than that, so far as river and harbor improvements are concerned?

Mr. ALLEN. No, sir; provided the congressional committee does not give too much weight to reports based on insufficient investigations.

Mr. GARNER. You are trying to reform Congress in its ability to digest things that come before it, and I have outlined to you how it is done.

Mr. ALLEN. That is the method I am pleading for.

Mr. MADDEN. That is what we do.

Mr. ALLEN. I am saying that you should not abdicate that function, but there is a propaganda and a very strong propaganda to the effect that you ought not to do that. We feel that you ought not to abdicate that power.

Mr. MADDEN. I do not think there is much danger of that.

Mr. CAMPBELL. I want to say as one member of this committee that it is refreshing to me to find somebody who takes a really practical view of the subject.

Mr. ALLEN. Now, bearing on this subject of the powers of Congress and the powers of the Executive over estimates, as you probably know, there is a very strong movement for taking the power of making estimates even away from the President. Thousands of people all over the country have been circularized in the furtherance of that movement. We have a former member of the Federal Reserve Board urging it personally, and the same thing has been urged before this committee. You have been strenuously urged here in this committee to take the power, not merely away from Congress, but to take away



from the Executive the power, and put it in the hands of a permanent nonpartisan organization of banking and business experts.

Mr. MADDEN. I had not heard of that.

Mr. ALLEN. We wish to be on record as feeling that that is not only wholly un-American, but it is not even good soviet practice. If we are to have soviet government, it should not be merely representative of the banking and business interests. The whole proposition of diverting responsibility from the Executive for those estimates to somebody who can not in any way control seems to me to be a complete perversion of our institutions. Gov. Smith told me the other day that he had been told that an organization had been urging the creation of a nonpartisan committee to handle the budget, and he wrote me that he could not imagine a worse way of tying his hands in New York than to require him to be bound by an outside committee that somebody else had named.

Mr. MADDEN. Who has been suggesting that sort of thing?

Mr. ALLEN. The National Budget Committee.

Mr. GARNER. That was urged here by the first man who appeared.

Mr. Pratt, I believe, was the gentleman who advocated that.

Mr. ALLEN. I appreciate the fact that there is a very strong feeling throughout the country that one congressional committee would be much better than several committees to pass upon appropriations. Mr. Tinkham, who is a member of your committee, has a resolution of that kind, but I am not discussing that, because I have assumed that there are some difficulties in the way of immediate action on it. Even if there were to be such a central committee on budget, I take it that it would have to break up into subcommittees. I want simply to say that so far as our organization is concerned, we feel that nine-tenths of this proposition is in the character of the study that is given to the estimates before they come to you, and then in the character of the explanations. Upon that will depend how rigidly your House committees can study them. If you have subcommittees, whether they clear through a central committee or not, if they have these estimates clearly explained then, it seems to me, your present difficulties will be almost negligible.

Mr. GARNER. Let me see if I have in mind your thought with reference to a budget committee. You would have organized within the executive branch of the Government a budget committee, so-called——

Mr. ALLEN (interposing). I would not care whether you called it that or not, but I would say to the President, "We hold you responsible for it." I do not care particularly how he organizes it. I want to get a scheme by which we can test the results.

Mr. MADDEN. Should we make that a matter of law?

Mr. ALLEN. Yes; but the question of title is immaterial, whether he calls it a budget staff or bureau.

Mr. MADDEN. We would call it, would we not?

Mr. ALLEN. Yes.

Mr. GARNER. As I understand you, you would appropriate, then, a certain amount of money to the President for the purpose of making a study of the various activities of the Government.

Mr. ALLEN. Yes.

Mr. GARNER. Would you have that organization report a budget to Congress?

Mr. ALLEN. No; I would have them report to the President.

Mr. GARNER. Would the President transmit it?

Mr. ALLEN. I would not have him simply transmit it. He must sign it.

Mr. GARNER. I am just going through the practical features of it.

Mr. ALLEN. Yes.

Mr. GARNER. You would have that committee report to the President and have him take the responsibility?

Mr. ALLEN. Yes.

Mr. GARNER. Would that be the only document he would send to Congress?

Mr. ALLEN. Yes.

Mr. GARNER. Let us see how that would work. For instance, let us take horticulture. Suppose the chief of the bureau who had given it the most study and is the most capable man to speak about it asks for \$200,000, and it is referred to this budget committee, and the budget committee decides that \$100,000 is sufficient and the President only sends \$100,000 to Congress, and suppose when the Committee on Agriculture investigated that subject they found that in their judgment the bureau chief was nearer correct than the budget committee. What would you do in that instance?

Mr. ALLEN. I would have the bureau chief then come and ask Congress for that amount.

Mr. GARNER. How would Congress know that that bureau chief recommended \$200,000 instead of \$100,000 if you only send the one document to Congress?

Mr. ALLEN. I think that document ought to show you the reductions.

Mr. GARNER. Then, of course, you get a picture before the Congress of the entire recommendations of the various bureaus of the Government.

Mr. ALLEN. Yes.

Mr. GARNER. And the second or reduced budget would come by the side of the first one, so you would rally have two estimates before Congress, namely, the estimate of the various departments of the Government and then you would have what would be known as the revised estimates sent in by the President.

Mr. ALLEN. Except I would put them all in one.

Mr. GARNER. In one document, of course, in parallel columns.

Mr. ALLEN. Yes.

Mr. GARNER. I think myself that would be a better method to pursue. I do not think we ought to say that the President shall send in this budget and then Congress have no way of finding out what the various bureau chiefs recommended unless they sent for every one of them throughout the Government, which would be practically impossible.

Mr. ALLEN. Yes. As to my next point I think there will be some disagreement on it at first, but I hope you will give it some thought: in considering your recommendations.

I would like to see your committee recommend in your bill not merely that the President send in something, but that he send in a document to you that will show you what has been requested, how much is greater or less than what was appropriated, then what has

been disallowed as well as what has been allowed, and the increase or decrease of the final, tentative allowance over the last year's appropriation. I have talked with several Congressmen, and I had it up once or twice under the last Congress.

Mr. MADDEN. We have that very system now.

Mr. ALLEN. No; you do not get that.

Mr. MADDEN. Yes, we do, in the Book of Estimates.

Mr. ALLEN. Well, let us see. You get a book there, Mr. Congressman, and the way in which that is set up makes it practically impossible——

Mr. MADDEN. It shows a comparison between this year's request and last year's appropriation and all the years prior to that.

Mr. ALLEN. Yes.

Mr. MADDEN. It does not show the details.

Mr. ALLEN. It is not merely a question of detail. You have vast detail here, but I have gone into committee rooms, and you will find these books as working papers, and you will find the leading statesmen of the country spending their time doing subtractions that a thousand-dollar clerk ought to have done for him and set up in a way that they could not escape them. The minute you suggest incorporating this kind of thing in the law, they say that is a matter of procedure which it is hardly dignified enough to put into an act, but unless you ask for that kind of thing, you will not get it. You have the Illinois estimates here. The Illinois legislature is helpless before this document [indicating]. I will just turn to one or two items. I have never seen it until I came in this morning. As an illustration: Here is a column, the last column they have, which illustrates the point I would like to have you consider incorporating in your bill. On page 39 it lists the total amount appropriated, then the amount expended, the approved requests and the increase or decrease, but it does not say this increase or decrease is over the amount appropriated for the last year or the amount expended, and that is an item that in some cases runs into millions of dollars. It gives the impression here that there has been an increase. The first item I find is \$2,400 when there has actually been an increase of \$985. In the second item, it gives an increase of \$3,600 when the actual increase was \$1,250.

Mr. TEMPLE. Where are you getting that information?

Mr. ALLEN. I am comparing what they allowed——

Mr. TEMPLE (interposing). But you say, "gives the impression."

Mr. ALLEN. It makes the allegation.

Mr. TEMPLE. But where do you get the actual facts?

Mr. ALLEN. It makes the allegation in this column that they have made an increase.

Mr. TEMPLE. But where do you get the actual facts to correct the first impression?

Mr. ALLEN. By comparing the approved requests with the actual expenditures given in their third column instead of in the appropriation.

Mr. TEMPLE. You get it out of that document?

Mr. ALLEN. Yes.

Mr. TEMPLE. Then why is the legislature helpless in getting it out of that same document?

Mr. ALLEN. I said it was helpless because I would call myself helpless if I had only gotten this information, but there is not one legislature—

Mr. TEMPLE. You had not seen it until this morning?

Mr. ALLEN. But it happens to have been my business to look at that particular thing. There is not one legislature in 500 in this country who would make the subtractions I have made.

Mr. TEMPLE. I am afraid you underestimate those men.

Mr. ALLEN. I have been through it myself.

The CHAIRMAN. Mr. Allen, both the governor of Illinois and Mr. Wright, the director of finance, explained that that was only the outline of their budget which showed the changes, but accompanying that was a very detailed analysis of each one of those items showing exactly what it was spent for, and that the legislature and every member of the legislature had that analysis before him at the same time the budget was delivered.

Mr. ALLEN. But, Mr. Chairman, what is in the details will escape the overwhelming majority of them.

The CHAIRMAN. Oh, it never escapes the committee that investigates and reports on it. Now, we require by law more detailed information than is given in the Book of Estimates—for instance, for expenditures at the arsenals and navy yards—so that we know how much each man receives, whether he is a mechanic, a carpenter, a plumber, or what not. We have that information which is not found in the Book of Estimates.

Mr. ALLEN. But have you not too much?

The CHAIRMAN. No; we do not have too much detail. The committee that has that matter under consideration will commence its hearings in the morning and work until late at night day after day, and in those hearings they go into every detail in the most minute way.

Mr. ALLEN. Mr. Fitzgerald and Mr. Sherley, whom I have talked with—I had not talked with you before this time—both insist that a vast amount of time of your committee is taken up with the doing of things that clerks ought to have done before your committee ever met.

The CHAIRMAN. I think everybody agrees with that.

Mr. ALLEN. That is my point. I would have that work done.

The CHAIRMAN. Every man who has made a study of the matter agrees with that statement, but that is not the difficulty. For instance, take the appropriations for this fiscal year. The estimates in round numbers were \$1,600,000,000 more than the appropriations. Now, how was Congress able to make that cut without damage? Let me give you one illustration. The fortifications estimates were sent in before the armistice was signed calling for about five billions of dollars. After the armistice was signed, and before the committee commenced its investigations, the department reduced that estimate twice, cutting it down finally to about \$93,000,000. The committee went into its hearings, not on the first estimate, but on the reduced estimate of \$93,000,000 and reported out a bill carrying approximately \$11,000,000.

The War Department asked for about \$25,000,000 as I recall in order that it might mount on railway carriages all of the larger guns. This was going to cost a large amount of money. They thought:

because they had the guns that instead of storing them for an emergency they had to mount them, and apparently that was the only plan they could think of. When Mr. Garrison was Secretary of War, he constituted what is known as the Board of Review, which was to take up the work of the Endicott and Taft Boards, which had prepared down to the minutest detail a comprehensive program of defense, showing the number of guns at each place, the size and caliber of the guns, the amount of reserve ammunition, etc. This Board of Review is still in existence studying these scientific, military problems; but strange to say, the War Department had come before this committee with an estimate of \$25,000,000 for mounting these guns without a decision from the Board of Review; and so when they came before us an officer of the Army stated that we could not adopt the same military plans with regard to railway carriages for coast-defense purposes that we would adopt for an attack by field forces, because in the one case where you were shooting at a warship out at sea several miles you had to have rapidity of fire and accuracy of fire, because if you missed the target you would accomplish nothing but a waste of from \$500 to \$1,000, whereas, in a land attack, if you missed the ammunition manufacturing plant, at which you had fired but struck the terminal of a railroad system, you had accomplished something.

He said that you could not have either accuracy of fire or rapidity of fire with one of these improvised railway mounts and that he doubted their efficiency with a gun of more than 6-inch caliber. The committee eliminated, and rightly so, that estimate. There was a problem that this committee passed upon that apparently the men who made the estimate had not spent any time upon at all, and not more than four weeks ago an officer of this Board of Review told me that he had started something in Congress that they had been working on ever since we started it and that they had not yet reached a decision. Therefore, these cuts have not been made without thought or without ryme or reason, but they have been arrived at after consideration by the committee with a man sitting at the other side of the table called there to prove his case, and when he could not prove his case, then the cut was made. I think that goes to the essence of what you have been saying with regard to having not only a system, but having that system studied and having intelligence applied to the study and an intelligent report made to Congress that somebody is willing to vouch for and stand for through thick and thin. They are not willing to do that at the present time. The trouble has not been with Congress.

On the other hand, the only safeguard against outraging the Treasury has been in Congress, which is much at variance with what has been written by an officer of the Government, who has just left the service, an official who drew one of the highest salaries of any Government official, save the President, the Vice President, the judges of the Supreme Court, and the members of the President's Cabinet. I refer to Mr. Herbert Quick, who had an article in the Saturday Evening Post of September 27. If there was ever an article filled with more misrepresentations and misinformation than this my



attention has not been called to it. Let me call your attention to what he says in this article:

These nine appropriation committees are not the committees that know about the work to be done at all. That would be too sensible and direct for Congress, and so on all the way through.

Further on he says:

Congress never knows the total revenues available. It never tries to find out.

That is the statement coming from a former official, when the very first thing Congress does, and the first thing the Committee on Appropriations does, is to take the Book of Estimates and with it the statements made by the Secretary of the Treasury as to expenses and revenues, each of which is a very large book. One of the men who has been writing articles like Mr. Quick writes told me in my office that he never knew before that there was such a book known as a Combined Statement of Receipts and Expenditures.

Mr. TEMPLE. There is a vast difference in the men who write on this subject just as there is in the men who write on any other subject.

Mr. ALLEN. There are just four more points I have in mind which I can state in about as many minutes unless you want elaborations. As to your reference to revenues, can you not meet the point which people have in mind really when they want to restrict bills from the floor by providing that Congress shall not pass special bills, and shall not increase the President's estimates without providing the revenue?

The CHAIRMAN. The trouble, Mr. Allen, with that is that I think you fail to discriminate between a legislative bill authorizing a certain service and an appropriation bill. For example, you have a bill authorizing certain public buildings which does not carry any appropriation at all.

Mr. ALLEN. I understand.

The CHAIRMAN. We have had a good deal of criticism with regard to what are known as pork-barrel appropriations. The evil is done when you pass the bill authorizing certain work to be done which in subsequent years will call for an appropriation, because after you once authorize it then the Secretary of the Treasury, if it is a public building, makes the estimate. It comes here as an estimate of the requirements for appropriations, and he asks Congress to appropriate for a building, no matter whether there is any real reason why the building should be built or not. The evil goes back to the authorization for which Congress must assume the responsibility. I do not see how that can be avoided.

Mr. ALLEN. What is the object to requiring, or to Congress saying, "We will authorize nothing without providing the money." That is what you mean to do when you authorize

Mr. ALLEN. But then you can provide revenue enough at the time.

Mr. MADDEN. If you propose to appropriate the total sum required by the activity for the particular item, assuming it is a ship that will cost ten or twenty or thirty million dollars, they could not let the contract if you did not authorize them to let it, and if they are going to let a contract for the beams to-day and the stanchions to-morrow and for the keel the next day, you would never get anywhere.

Mr. ALLEN. At the time you authorize the building of the ship you can appropriate enough money so you can take care of that ship when it comes up. The point the people are making is that if Congress would really do that—and I think it is perhaps even a more serious thing in the various States, because we have rafts of bills passed in State legislatures without any reference at all to whether they are going to get the money eventually, and it seems to me the way to cure that is that, if you are going to have a special bill, to see if you have the money for it when it is passed, and any bill the legislature is not ready to find the money for it ought not to be ready to authorize.

Mr. MADDEN. Suppose it was a program for 20 or 30 battleships to be built in the next 3 or 4 or 5 years, and we are not ready to make the appropriations for them, but we are ready to authorize the Secretary of the Navy to make the contracts for them.

Mr. ALLEN. I would simply like to put it up to you merely as a question.

Mr. MADDEN. Well, it is not practicable.

Mr. ALLEN. It is being found practicable in some lesser legislative units and it seems to help them to do it in that way.

Mr. CAMPBELL. But you will understand, Mr. Allen, that in this authorization of 20 or 30 battleships they probably will not call for the last one for 10 years.

Mr. ALLEN. Precisely; but you can appropriate the part that would happen during this Congress.

Mr. TEMPLE. Just at the present time we have several proposals before the Committee on Military Affairs. The General Staff comes in with a proposal for an Army of 509,000 men. Of course, in a general way we take into consideration, and must take into consideration, the cost of an Army of that size, but in fixing a permanent policy of the Government to run indefinitely, we can not make appropriations to run indefinitely, because the Constitution does not allow us to make an appropriation for longer than two years for the Army.

Mr. ALLEN. I appreciate that. I personally do not think it is particularly serious, but there is a strong feeling throughout the country and I know in several States it has seemed to simplify things for the legislatures, and I simply hope it will be considered enough to get some testimony along that line and see whether or not it does not help, perhaps, limited to certain kinds of appropriations for certain departments.

The CHAIRMAN. Mr. Allen, you have raised a question that has troubled Congress and the committees of Congress a good deal, and that is with regard to giving various committees power to report out appropriation bills. There is now pending in the House a bill to increase the pension to soldiers of former wars from \$30 to \$50 a month. That in itself, I assume, will require an appropriation in the

neighborhood of \$65,000,000 a year. I speak of that as one illustration, and I suppose there are a hundred or more bills of that kind calling for new legislation that will make very heavy drafts on the Treasury if they are enacted into law. For instance, there is the so-called Mondell bill for taking the arid lands and the cut-over lands and swamp lands, and have the National Government buy them and improve them and make homes for the soldiers. If that bill were enacted into law it might ultimately require several billions of dollars. Now, to give the committee at the same time the power to report out the appropriation, and then to provide for revenue would thoroughly throw out of joint all of the legislative machinery and would, I think, lead to confusion more confounded.

Mr. ALLEN. Do not allow the committee to do the second thing.

The CHAIRMAN. I thought you suggested that.

Mr. ALLEN. No; my suggestion was that Congress should not pass a bill that is reported by the committee authorizing something unless Congress also sees to it that there will be some moneys there to meet the obligation.

The CHAIRMAN. That can not be done until after a very careful estimate has been made as to its cost.

Mr. ALLEN. I know it, but the estimate ought to be made before it is passed. I ask you simply to consider that suggestion.

The CHAIRMAN. There is an estimate, as a rule, made before it is passed, but take the land bill to which I have referred. It would depend upon the extent to which soldiers availed themselves of the provisions of such a law as to the amount of money required. It has been the policy of the Congress, and it is advocated by a great many writers, and I think perhaps you advocate the same principle that one committee ought to have the power of reporting out appropriation bills, yet the work of that committee is very much embarrassed if it finds a session of Congress taking on new activities that throws out of joint altogether all estimates of income and outgo, and that is a power lodged in Congress. I do not see how you can take it from Congress, and all you can do is to hold Congress responsible. If they enact laws that are going to call for useless expenditures of money, the only thing that can be done with that kind of Congress is for the people to turn them out when the time comes, and they have that power, and I think that is the best kind of correction.

Mr. ALLEN. I think the public will expect some word from your committee on this subject.

I have just three more points. I want to record our group, the Institute of Public Service, as favoring an independent audit, continuous audit, which, however, shall include operation as well as expense, which, if it does include operation, would become a constructive force for consolidations and for eliminations and reductions and constantly keeping Congress and the country informed.

Mr. TEMPLE. Mr. Allen, will you explain a little more fully just what you mean by independent audit?

Mr. ALLEN. I mean not subject to the Executive.

Mr. TEMPLE. But subject to Congress?

Mr. ALLEN. Yes; to Congress. Secondly, with regard to tenure of office, this auditing committee, or auditing function, whatever it is called, we hope will not be given a permanent tenure—~~that is~~, to an important functionary who might serve as controller or auditor

on the ground that there are few brooms that last 20 years, especially in that kind of service; and after awhile a man gets a vested interest in old practices and will be auditing himself in a short time. We think there ought to be a limited term and there ought to be the injection of new blood and new objectivity.

Mr. TEMPLE. A great many of those who have come before the committee have insisted on judicial tenure for the auditing authorities.

Mr. ALLEN. I think that would be a tremendous mistake.

Mr. TEMPLE. Your opinion is so different from theirs that I wish you would give us a brief summary of your reasons, or more than a brief summary.

Mr. ALLEN. Assuming, for the sake of the argument, that the permanent tenure of the judiciary is desirable, the arguments we have do not apply to any administrative officer, and they apply least of all, it seems to me, to an auditor. They apply less to an auditor than to an administrator. An auditor is not worth his salt who has any of his own mistakes to protect or any of his own traditions to uphold. The minute an auditor ceases to be able to look impersonally and objectively and with analysis at everything he is doing, he is of no use. In the first place, such an officer would become potentially almost of more importance than the Executive in this country, and certainly he would if he were given permanent tenure. The man who occupies such a relation to Congress that his recommendations are going to carry more weight with Congress than the recommendations of the Executive, if there should come a clinch, is a man of great power, and that man ought to be a man who is not going to be prompted to make this move or that move so that he will be there 10, 12, or 15 years. That is one reason, and I think the country would be very much afraid of a man with permanent tenure who had as much administrative power for good or evil.

Mr. TEMPLE. Would you give him power to stop a warrant before payment was made on it?

Mr. ALLEN. That would be a matter of machinery that is enormous——

Mr. TEMPLE (interposing). Not only machinery, but power.

Mr. ALLEN. Yes, sir; power. I do not think that it would be physically or mechanically possible to have all of the Government bills audited prior to payment, but I think that theoretically it is the right thing to do.

Mr. TEMPLE. Would he determine any question beyond the legality of the payments, or whether it conforms to the terms of the appropriations?

Mr. ALLEN. Further than that, it seems to me that an officer would not be worth much unless he should go further and say, "While that is an entirely legal proposition, it is a steal or a blunder, and I will not approve it until something more has been done. I will at least hold it until there is a chance to send it back to the responsible officer."

Mr. TEMPLE. If Congress is to confer that power upon anyone, where will Congress get the power in order to transfer it to him?

Mr. ALLEN. I do not know. I supposed that Congress had the power to prescribe all of the purse strings it pleased on appropriations to the executive departments.

Mr. TEMPLE. Would it not mean the repeal of the appropriation act?

Mr. ALLEN. It would mean the suspension of the amount, and, of course, if you did that the appropriation act would have a string tied to it, and the executive officer would know that if he paid \$1.25 per pound for butter worth 70 cents per pound, it would not get by. An auditor who could not hold up an extortion would not be much of an auditor. It seems to me that would be one of the greatest services to be rendered by an operations audit. It would also apply to the service employees. It seems to me that if you should get an auditor who was responsible to Congress, and he is auditing the amount to be paid a man and he knows the man is giving very poor service, then he ought to be able to say, "I will not authorize the continuance of this supernumerary."

Mr. TEMPLE. Is there any method known to you now by which a man who pays \$1.25 per pound for butter worth 70 cents per pound can be reached?

Mr. ALLEN. In New York City we have. We have the recall in New York City, and we have removed three elective borough presidents in New York by action of the governor, not because they were guilty of theft or embezzlement, but entirely upon the ground of incompetence.

Mr. TEMPLE. You do not propose the recall as a part of a national budget system, do you?

Mr. ALLEN. No, sir. For instance, take the auditor of the State of Ohio: He uses quite arbitrary power, and has set a limit of \$4 per day for expenses. They might challenge that, but they do not care to challenge his power, and he will not pay any more than that. I do not know whether he made an extra allowance during the war period or not, but ordinarily the allowance is \$4 per day. We have very elaborate machinery in New York for the payment of bills, and they are audited in advance. They will not audit a bill for coal for Bellevue Hospital, for instance, until the coal has been tested, and if the test shows too much ash, the dealer does not get any more than he is entitled to under the test.

Mr. TEMPLE. We have an inspection system under the Federal Government.

Mr. ALLEN. After the fact.

Mr. TEMPLE. Coal for the Navy, for example, is tested before it is received.

Mr. ALLEN. The auditor has nothing to do with that. The auditor is not at the head of the inspection system in New York City, but of the finance department.

Mr. CAMPBELL. Would you permit an auditor to pay an expense account where a man was directed or required to go in the performance of his duty from one city to another and where the railroad fare was \$1.50, but because of missing his train he went by automobile and paid \$15 to go? Suppose he used his own judgment and spent \$15 for automobile hire, what discretion or power would you give the auditor in passing on the claim?

Mr. ALLEN. I would certainly give him power to hold up that payment until he could get reasons satisfactory to himself for the increased expenditure. If the man could not give satisfactory reasons.



he might finally have to pay that \$13 extra, but he would probably get a new man in his place.

Mr. TEMPLE. Does not that power reside in the disbursing officer before the claim reaches the auditor?

Mr. CAMPBELL. A great deal of it happens and I think a great deal of it gets by.

Mr. TEMPLE. I know of an instance in which a man was sent out to Chicago to make certain investigations in Chicago and in adjacent parts of the State of Illinois. He found when he got there that he could not complete his investigation without following one of the men he was to see across the State line into another State, and they held up his account because he had violated his instructions.

Mr. CAMPBELL. That would come within their power now. The illustration I gave was one that would involve discretion or judgment on the part of the auditor.

Mr. TEMPLE. Or the judgment of the disbursing officer.

Mr. ALLEN. If you have a man with a limited tenure, there will not be much danger of his building himself up into a czar. The result of that kind of audit will be that the information will pour into your appropriations committee, and, of course, it ought to be made clear when you make appropriations with respect to internal matters —

Mr. TEMPLE (interposing). How long would it take a man to become sufficiently familiar with the work to do that efficiently?

Mr. ALLEN. It would take him a very short time, provided the organization under him is at all efficient. That organization should be permanent, because that work is not done by the comptroller or auditor in chief.

Mr. TEMPLE. The organization under him should be permanent?

Mr. ALLEN. Of course you would have to have them anyway, and they should have a civil service status. But that man who goes in and becomes familiar with the activities of all the departments ought not to be a man that the whole country goes to in order to pull strings. The auditor with a permanent tenure would become anything but nonpartisan. He would become all partisan. A man in that position with permanent tenure would become the Warwick of politics, with power that would reach away off into the States, because it would be worth while for everybody away down below to play up to that man having such tremendous power. Without that tenure, that objection could not be urged.

Mr. TEMPLE. That work is now done by the Comptroller of the Treasury, and the auditors in the departments. Have they acquired any such political power as that?

Mr. ALLEN. They have not done it.

Mr. TEMPLE. They are permanent.

Mr. ALLEN. But they have not done what you desire. Their audit is a perfunctory thing.

The CHAIRMAN. They are not permanent, but they go out with each administration.

Mr. TEMPLE. They may, but, as a matter of fact, they do not.

The CHAIRMAN. Oh, yes; they always do.

Mr. CAMPBELL. The best auditor we ever had in the Treasury went out when this administration came in.

Mr. TEMPLE. The Comptroller of the Treasury has been there for 14 years.

The CHAIRMAN. But he came in with this administration as comptroller.

Mr. TEMPLE. He was promoted.

The CHAIRMAN. He was appointed. It is the usual practice to change the six auditors. I think only one of the six auditors holds over.

Mr. ALLEN. May I venture one final suggestion, although I do not feel competent to elaborate upon it? It seems to me that it would pay you to get the Wisconsin experience in regard to continuing appropriations. Dr. Charles McCartee feels very strongly about it and has written about it.

The CHAIRMAN. If you refer to the book written by Mr. Fitzpatrick, I want to say there are more misstatements of fact in that book than I have ever seen in any book between two covers. He seems to think that all of the mistakes are mistakes of Congress, and that practically all of the money goes for public buildings and for "pork barrel" projects, apparently unmindful or ignorant of the fact that of the appropriations for river and harbor improvements the estimates for every dollar appropriated originated with the War Department and was based upon reports of the engineers of the War Department that the project was a project in aid of navigation. Take all the public buildings that he speaks of, and you would think that we did not appropriate any money practically except for public buildings and rivers and harbors; he does not seem to know that every dollar appropriated for public buildings has been certified by the Secretary of the Treasury as a needful appropriation.

Mr. BYRNS. Of course, there is always an authorization in the first place.

Mr. TINKHAM. Will you explain your proposition in reference to continuing appropriations?

Mr. ALLEN. Yes, sir. In Wisconsin the legislature last winter did not bother with appropriations already approved two years, four years, or six years before. Their old appropriation for the education department, for instance, of, say \$125,000, was permanent. That much is permanent, subject to a new vote by the legislature to the effect that the amount is still needed, or should be increased or diminished. Then there is certain machinery that they know must go on, and if the Wisconsin Legislature happens to be late in meeting the appropriation continues. There are certain things that they know must be continued. They know there must be a certain number of employees for the legislature and in the departments, for instance, and they appropriate the basic appropriations in that way. Then the Legislature of Wisconsin and the committees give their time to the vari  
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not thought this out far enough to be sure that it would help or would not help in Congress, but I certainly think that your committees might find that profitable.

The CHAIRMAN. That has been described as the commission system, or those estimates originated with various commissions that were performing certain functions of government in Wisconsin.

Mr. ALLEN. I am not raising that kind of question. They have a State board of public affairs.

The CHAIRMAN. The commission, as I understand it, makes their estimates through that board.

Mr. ALLEN. But not all of the government of Wisconsin is by commission.

Mr. BYRNS. Do you not think it would be wise to investigate some of those standing or permanent appropriations to which you have referred? Would it not be wise for this reason, that you never heard of a government agency in the world that was willing to surrender any of its powers or to drop any of its activities? Otherwise, the legislative body might continue appropriations to an agency that were really not needed.

Mr. ALLEN. As it works out practically, is it not true that your committee gives 90 per cent of its time to the consideration of new things rather than of old things?

Mr. BYRNS. I do not know that it would be that proportion.

Mr. ALLEN. If you have an auditor working year in and year out, looking for opportunities to retrench and increase the service, then you would still get the details in your estimates, but if something happens so that you are 3 days late or 30 days late, the wheels of government would not have to stop, and you would not have to hurry to make provision of the money necessary to do absolutely essential things.

Mr. BYRNS. Of course there is always a presumption that attaches to appropriations carried in the previous year.

The CHAIRMAN. With regard to that kind of appropriations, the Committee on Appropriations and Congress have found that that was a very wasteful and extravagant method. We formerly had permanent appropriations for the Steamboat Inspection Service, for the Public Health Service, and more recently for the Reclamation Service. The permanent appropriations for those services resulted in wasteful and extravagant methods, and we inaugurated a reform, making it necessary for those officers to come before committees of Congress each year and prove their case before they get money. The result has been economy and greater efficiency in all of those services.

Mr. ALLEN. In connection with the work that has to be done under the Federal Government and in connection with the work that we do amongst the States, I think that, unquestionably, that would be the result, but as I have said, I make the suggestion tentatively, with the thought that if you did have an outside audit you would have more information. That is a part of your duties, but, of course, you have other duties, and if you had the help of an independent audit, the situation would be different. Suppose we take some division of the Government where nobody wants to reduce the amount of money spent, as, for instance, in the Bureau of Education. You do not

want to reduce, and for many years probably nobody will propose a reduction——

The CHAIRMAN (interposing). While what you say about the waste of time may be true, and while doubtless there is time needlessly expended in making investigations of some of the services, at the same time our experience has been that by requiring those officers to come before committees of Congress to justify their expenditures and their estimates for appropriations, the Government probably secures better service, as when their attention has been called to something that they have not done, or to something that has not been done efficiently. Now, if they did not come before congressional committees at all, they might become rusty. They may not have efficient organizations, and when we discover wherein they are inefficient, they profit by the friendly criticism and advice that they receive. That is what Congress is here for. Perhaps we find that some service may be eliminated, or that it may be performed a little better by some other agency. After all, economy results, and it is not a waste of time.

Mr. ALLEN. I think that is the question, whether there are some points where their time and your time might be saved.

The CHAIRMAN. If I understand it, your position is this: First, you would clothe the Executive with authority not only to initiate the budget, but you would throw upon him the responsibility of creating a budget the items of which had been arrived at only after a careful and systematic study; that then, when he transmitted the budget to Congress, the hands of Congress should be unfettered, and that Congress should be free to act upon it, free to criticize it, and free to add to it or subtract from it; then, after the appropriations had been made, you would have an independent auditor who would be free to criticize, to investigate, to work out, and to call the attention of Congress to wastefulness or extravagance in any department at anytime. That is practically what you suggest?

Mr. ALLEN. Will you include with "wastefulness and extravagance," work neglected?

The CHAIRMAN. Or inefficiency.

Mr. ALLEN. I mean things that are not yet attended to.

The CHAIRMAN. That is what you think ought to be the plan for the budget?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. You lay most stress upon the study that should be given to the budget, and you feel that present plan is not independent and adequate?

Mr. ALLEN. Yes, that your committee has not set of items it works upon when they are made.

The CHAIRMAN. I am giving us the benefit of your suggestion for the study.

Mr. ALLEN. I

MONDAY, SEPTEMBER 29, 1919.

**STATEMENT OF MR. JESSE D. BURKS, NATIONAL INDUSTRIAL CONFERENCE BOARD, WASHINGTON, D. C.**

The CHAIRMAN. What is your business or profession?

Mr. BURKS. I am manager of the Washington office of the National Industrial Conference Board, Mr. Chairman. I should like to say in this connection, however, that although the National Industrial Conference Board has definitely gone on record in favor of a national budget, I do not assume to speak for the Board itself, nor for its membership, but I shall speak in my individual capacity.

The CHAIRMAN. What is this board?

Mr. BURKS. The National Industrial Conference Board is an organization established by about 25 national associations of manufacturers as an industrial research agency to serve their common purposes in making investigations regarding industrial conditions and the solution of pressing industrial problems. Its membership comprises these 20 or 25 associations of manufacturers, representing probably 40,000 of the chief manufacturing concerns of the country employing perhaps 5,000,000 or 6,000,000 people.

The CHAIRMAN. Is it incorporated?

Mr. BURKS. It is. Now, I am not positive about that. I assume it is, Mr. Chairman, but I may be in error.

The CHAIRMAN. How are its funds raised?

Mr. BURKS. Its funds are contributed by these organizations and individual members that I have spoken of.

The CHAIRMAN. Prior to your association with this National Conference Board, what was your business?

Mr. BURKS. For about 15 years I have been in public administration. Now, that is not quite accurate. I have been concerned with the problems of public administration, first, through the Bureau of Municipal Research of New York; then as director of the Bureau of Municipal Research of Philadelphia, for five or six years during the administration immediately preceding that of Mayor Blankenburg and during the greater part of his administration. Subsequently I was a director of the Efficiency Department of the City of Los Angeles; an organization inside of the government, a staff organization connected with the office of the mayor. I have also, since I left Los Angeles, about two years ago, been connected with the United States Army in the General Staff organization, dealing with problems of organization and management. In connection with my work in the New York Bureau of Municipal Research and the Philadelphia bureau, and the Los Angeles efficiency department, I have had occasion to make some study of the problems of organization and management with special reference to budget procedure.

The CHAIRMAN. Have you made some investigation and study of the question of a national budget?

Mr. BURKS. I have, sir.

The CHAIRMAN. Do you desire to make a general statement with regard to the results of your investigation and study on that subject?

Mr. BURKS. I should be glad to follow your suggestion.

The CHAIRMAN. We would be very glad to have you make a general statement and then the committee will ask such questions as may be suggested.



Mr. BURKS. I should first like to put into the record a resolution which was passed by our organization last May. This was passed after a very careful consideration by the executive committee of our organization. The committee recommended the resolution to the entire board and the board unanimously adopted this resolution at its annual meeting.

(The resolution referred to is as follows:)

By reason of the exigencies of war and the rapid expansion in the scope and magnitude of Government functions, there has been an unprecedented increase in the financial requirements of the Government.

Such enlarged program of public service and the cost of such service emphasizes anew the importance of intelligent planning and effective control of service and expenditure, to the end that adequate provision may be made for the essential requirements of the Government and economic operation insured.

Inefficient planning or misuse of opportunity on the part of the Government must inevitably result in wasteful spending and needless taxing, and thus create new problems and handicaps for industry and for the Nation.

Party platforms and leaders, administrative officers, Members of Congress, and students of governmental policy, have repeatedly asserted that a proper national budget plan is an indispensable basis for scientific planning and intelligent consideration of service to be rendered and money to be spent: Be it therefore

*Resolved*, That the National Industrial Conference Board urgently request the President and the Congress of the United States to adopt, and put into effect at once, a plan to include the following essentials of an effective budget system:

1. Central review and final preparation of a budget of estimates by the executive branch of the Government.

2. The necessary staff to enable the President to assume responsibility for the analysis of needs, the formulation of a program of work and expenditure, and the presentation of facts upon which estimates are based.

3. Central review and final preparation of a budget of appropriations by the Congress.

I read this resolution into the record, Mr. Chairman, simply that it may serve to emphasize the very definite, concrete interest on the part of our board. Again, however, I wish to call your attention to the fact that I am not assuming to represent this board, so far as the details of anything I might say are concerned.

I think possibly I may serve the purpose of the committee, if it is agreeable, by refraining from an attempt to make any systematic or very extended statement. You have already had placed before you by persons much more competent than I the historical background and some of the more important developments in budget procedure in this and other countries. I think probably nothing would be gained by my attempting to consider anything further in that direction. I shall therefore, if it agrees with your desire, make some rather rambling comments upon the testimony that has already been presented here, most of which I have had the pleasure of hearing, and certain comments growing out of an experience of 10 or 15 years of rather constant study of problems closely related to this.

I want to say in the first place that I rather hesitate to say anything in the presence of this committee because I am disposed to feel that the problem of a national budget procedure is a good deal more complicated than some appear to believe, and the committee members are in a position to criticize present procedure much more competently than most of us on the outside. I feel as if I were in the presence of men who are somewhat expert, many of them very expert in the procedure you are discussing, and I offer my suggestions and comments with a good deal of diffidence. In the second place, in view of the handicaps that the Congress and committee have to face, the very greatest credit is due to the members of com-

mittees and of Congress for what they are able to do and have done in the past 10 or 15 years since greater attention has been centered upon the financial problems of the Government.

I am not disposed to criticize Congress or its committees. I think there are some handicaps which I shall try to point out, and I think that because of these handicaps we have not accomplished all that we might otherwise have accomplished. Nevertheless, in spite of a good many difficulties, Congress has been able to accomplish a good deal more than it has been given credit for doing in some quarters.

We hear a good deal in current discussion about the need of a national budget. I myself have been unable to determine just what is meant when people say that we need a national budget. The implication seems to be sometimes that we have not any national budget. I think one of our Presidents, not many years ago, made the statement that the United States was the only great Nation that did not have a budget. To my mind the difficulty, from this point of view, is not that we have not any budget but that we have too many budgets. In other words, the procedure centering around each of the appropriation measures which are annually brought before Congress is a budget procedure in itself fairly complete. It may have its weaknesses, no doubt each one of them has its weakness, but each of those procedures is a budget procedure. There is an estimate placed before Congress for which some executive officer is responsible. That estimate is considered in its entirety and in its details by one of your committees. There is reported to the House, in the form of an appropriation bill, a measure for its adoption and it is usually adopted in the form in which it is reported. We have as I say, a number of those procedures and each one of them is a procedure complete in itself. So that, far from being the only great Nation without a budget, I suspect the fact is that we have more budgets than any other nation. This, however, may be another way of saying the same thing that many of those who have discussed the matter before you had in mind, but I think it is worth while emphasizing the fact that we have a definite budget procedure surrounding each appropriation bill.

There appear to have been a number of fallacies injected into this discussion of this subject to which I shall call your attention. One of these fallacies, it seems to me, is that cutting down estimates is synonymous with saving money. This suggestion applies not only to the criticism and discussion of a national budget, but to almost every city where the subject has come up and in almost every State. Emphasis has constantly been placed on the common fact that after the estimates come in they are scaled down to a greater or less extent, and that this scaling down means saving money. Obviously scaling down estimates may mean wasting money, as Dr. Allen brought out this morning, in case the cut means an apparent present saving as against an actual future increase. But that is not what I mean. I mean that usually estimating officers in every Government unit that I know anything about in this country put in their estimates with the advance knowledge that they are not going to be considered very seriously in the form in which they are put in. There is a definite expectation that they will be cut down. So that in a very fundamental and very essential sense I think it is fair to say that the com-

mittees of Congress and Congress itself, and the same thing applies to State legislatures and city councils, are simply doing the thing that at the outset it was expected would be done. Therefore no undue emphasis need be placed upon the fact of scaling down estimates.

Another fallacy that applies pretty widely is the assumption that estimates represent careful consideration of work to be done and the cost of such service. More often than not, my experience of a number of years would lead me to believe, estimates represent a sort of general guess. Some officials sit down together and say, "Now, we have got to get these estimates ready. We ought to increase a little this year on account of natural growth." They do not know how much. Often they do not take the trouble to find out; usually they can not do so. By some hocus pocus a large estimate is prepared in the hope that the magnitude of the thing will be more or less impressive and that as a final outcome of the negotiations with the appropriating body a little increase will be secured and they will do the best they can with it.

Mr. HAWLEY. Do you believe it is true that the estimates of the National Government as made by the several departments and bureaus are not well considered?

Mr. BURKS. I would not attempt to say to what extent that is true, but I have no doubt that to a very considerable extent it is true of the national departmental estimates, as it is of municipal and State estimates.

Mr. HAWLEY. Do you know of any particular estimates that were submitted by any bureau or any department of which it was true?

Mr. BURKS. I do not feel quite free to mention names in this connection, but during the two years that I have been in Washington I have had occasion to talk the matter over with at least two Cabinet officers and numerous bureau chiefs. I have had the frank admission on several of those occasions that what I have described is actually the fact; that it is only by a process of attrition that a department or bureau is able to "put over" on the committee or on Congress a greater or less increase, and that on the whole the department that makes the strongest push—and one of the elements of push is putting up a big estimate—is likely to get what it desires.

Mr. HAWLEY. Do you think the committees are likely to make large appropriations under pressure rather than under presentation of actual facts and needs?

Mr. BURKS. My impression is that it is pretty difficult, often, for committees to get accurate data on these questions and that, in the absence of accurate data which would tend to discredit estimates, the inclination of the committee is to go along with the estimating officer as far as it reasonably can. That is not much more than an impression but it is an impression that has been gained after some fairly direct touch with the people concerned, and I have given it simply for what it is worth. In other words, I think that a congressional committee, where concrete data are difficult or impossible to get, is somewhat disposed to go as far as the members consistently feel they can.

Mr. HAWLEY. May I offer a little testimony?

Mr. BURKS. It is not for me to say, of course.

Mr. HAWLEY. I have been a Member of the House for a number of years, and from time to time it is natural that I have had the opportunity of

appropriations to look after affecting my district. I have never abused the friendship of any member of the committee in securing an appropriation. The most I ever tried to accomplish was to secure a hearing before the committee in a friendly spirit. I have always felt that my proposition would stand or fall on the success with which I established in the minds of the committee the necessity and the wisdom of the appropriation I was asking for and the good it would do from a public standpoint.

Mr. BURKS. I think that is usually true. My conclusion, however, from the observation I have been able to give the matter, is that the information is not readily available either to the department head, the bureau chief, or the committees of Congress, which enables any one of them to reach a definite conclusion of just how much ought to be done under the circumstances, and so I say that in the light of the confessions, if I may call them such, to which I have referred, it is a fallacy to assume that all these estimates are the result of careful consideration of work to be done.

Mr. BYRNS. Major, you stated a while ago that your idea was that it was not always a saving or economy when estimates were cut down and that estimates were sent to Congress by the various bureaus with the idea on the part of the head of the bureau that these estimates would be reduced, and therefore they asked for more, possibly, than they would really need. I think it is hardly fair to state that as a general proposition. I have no doubt that that is true in some instances, but it has been my observation as a member of the Committee on Appropriations—and I speak particularly of one department, but I would not say which one it is. I know that the head of that department for the past six years has been going through the estimates and revising them carefully and scaling them down to the bone, so far as clerks and other services are needed in his department. I think that is true in other bureaus. They may ask for more money than they ought to have, but that is due in many instances to the fact that they are impressed with the importance of their work and they take a larger view of it than the Members of Congress do.

Mr. GARNER. And if each one of the heads of the departments followed the policy that you say this one did follow, our appropriations would not be so large. If I understand your proposition, it is that the way to obviate the practice of asking for more money than they really need is to have a central budget or a system that from day to day and from month to month while Congress is in session will investigate these various bureaus and the work they are doing and the necessity and wisdom with which they are expending their appropriations, and that they will be able to call attention to the fact that the department is asking for more money than is necessary and they will restrain the department from doing the very thing that you speak of. I think that is a method by which we can keep these bureau chiefs who are inclined to ask for more money than they expect to get from doing the thing that you suggest.

Mr. BURKS. There are several reasons that operate to bring about that attitude on the part of Government officials. In the first place, it has been emphasized here a number of times that practically every Government official is conscious of the large needs of his department. He is very definitely of the opinion that he could spend a great deal more money than he is ever likely to get, and this is true in a good

many cases. In practically every case, in fact, there is almost an indefinite possibility of expenditure. In the next place, the head of a department usually feels that the responsibility for the final measure that is to be brought before Congress is not his, but is the responsibility of the appropriating committee involved. In the third place, he feels that no matter what his estimate happens to be it is going to be scaled down any way, so he had better leave a little slack in order to get out somewhere near even in the game.

Mr. GARNER. And he reserves in his conscience this thought, that if they give me more money than I need I shall not use it but I will just turn it back into the Treasury. It is not because he wants to be extravagant but with the view that more money will be given him, and being a wise and patriotic man he will say that if he does not use it, it is going back into the Treasury anyway.

Mr. TEMPLE. I think it also ought to be noted that the appropriating committees sometimes become acquainted with that tendency on the part of particular bureau heads and watch those men a good deal more closely than we watch other men whom we know estimate more accurately, and the habit of overestimating is likely in the long run to make trouble for the organization under the control of the man who does that. It is more easily detected than they think it is.

Mr. BURKS. Another fallacy which is sometimes brought forward is that you can fix responsibility by some mere device, by simply designating somebody to do a thing. It has been brought out here repeatedly during these hearings that already, under an act of Congress, the President has responsibility for doing certain things with the estimates and that, as stated this morning by one of the members of the committee, the Executive has not functioned with respect to that particular duty. The reason, of course, is perfectly obvious. That is, that nobody has expected the President to function in this matter. The general budgetary scheme of the Government is such that the responsibility is thrown elsewhere in spite of the attempt by this device to fix responsibility on the President. The responsibility has been accepted elsewhere and until there is such a revision of the procedure the responsibility at the place designated is not, the so-called Smith amendment?

Mr. TEMPLE. Yes.

Mr. BURKS. So that I do not believe budgetary procedure would seriously fix responsibility merely by fiat.

Mr. GARNER. Do you not think it is the President of the United States?

Mr. BURKS. Yes, but I do not think it is fair to finger at him and saying, you are responsible.

Mr. GARNER. But you have to pass a bill at this committee meeting, to see what is to be done. Now, if you do not put some bill on the books, you will enable the people of the country to say to the President of the United States and say "you have more money than the Congress gave you," and not the Executive has proposed economy, but the Congress proposed economy. Unless you gently



ence in running for Congress you can not appreciate the issues that may come up in a district. I recall a Texan who was elected to Congress partly on that issue. One of the items in that issue was that he voted for \$10,000 for an elephant house out here in the Zoo. He was a very good man and made a good Congressman. I merely cite that as an example to show you that when a man has to go back to his district he has to meet some issues. If the Executive wanted to be economical and the Congressman wanted to be extravagant, you have got a sentiment that will make him economical after he is elected.

Mr. BURKS. I think you have put your finger on the crucial thing. It is easy to say that the responsibility for budgetary matters is now on the President and the department heads, but as a matter of fact the country does not believe it. The responsibility is actually now on the Congress and the appropriating committees. I mean that in the minds of the country at large this is true; and the reason I believe it is that in spite of certain laws assuming to place the responsibility on the executive branch of the Government, the whole procedure is such as to focus the attention of the country on the committees of Congress and on Congress itself, and you are never going to relieve Congress of any of this responsibility until the procedure is so modified as to focus attention in the other direction to the extent that it belongs there.

Mr. GARNER. Then you would have the President of the United States send the budgets that are prepared to the Congress and say that this much money and no more is necessary to run the governmental affairs for the next fiscal year?

Mr. BURKS. I believe that is one step. I do not believe that alone will accomplish the result, but that is certainly one necessary step.

Mr. TINKHAM. That would accomplish the result of fixing the responsibility?

Mr. BURKS. No, sir.

Mr. TINKHAM. With the other steps?

Mr. BURKS. Yes, sir.

Mr. TINKHAM. Now, what are the other steps?

Mr. BURKS. I am coming to that. I wish to emphasize two or three other fallacies before I come to the constructive side. It seems to me that this one step alone would lead to important results, but that in itself it would not accomplish the fixing of the responsibility, because as a matter of fact you have such a provision in the law now and yet the responsibility is accepted by the committee of Congress and the country at large assumes that the responsibility is where it is accepted.

Mr. TINKHAM. In other words, even though we have the law, it is not operative?

Mr. BURKS. Yes, sir; that is correct. The law can not operate under those conditions. Now, another fallacy that is more or less general—and I am stating these by way of observation and not by way of hostile criticism—is that the only items requiring consideration are new items or increases in estimates. It is common knowledge to any one who has gone carefully into governmental administration that the mere naming of functions or the naming of officers in an estimate or in an appropriation law does not always determine what

the actual organization or the actual function performed is. If we are going to have a procedure that will enable us to see what is being done or not done and what it costs, our budgetary system must reflect accurately what the Government is doing and our estimates must accurately reflect what it costs.

Mr. HAWLEY. Do you understand that if there appeared an item in the appropriation bill for 1919 for a certain service and no change was proposed in the appropriation bill for 1920, that the committee would make no investigation of that item?

Mr. BURKS. No, sir. I do not know just to what extent it is assumed in your congressional procedure, for I have not had the opportunity of following your procedure closely; but my opinion is that it is pretty generally assumed that if there is no increase in an item for any governmental function, you pass on to the next item. Now, of course, you know whether that is true or not?

Mr. HAWLEY. I was on one appropriating committee for 10 years, and I think this was the practice of that committee. Here is an item that remained stationary for two or three years. It might not be questioned every year unless there was a new member or two on the committee. But suppose the committee of 1916 questioned that item very thoroughly and determined that it was a function that ought to be continued, they might not question it in 1917, for the reason that they had already questioned it very closely in the preceding year, but in 1918 they would requestion the item to see whether that function should be continued or whether the authorization was satisfactory and wise.

Mr. BURKS. That would conform precisely to the idea that I have in mind to the extent that that idea is adhered to. The fallacy to which I refer is not applicable alone to congressional procedure. It is a common assumption in municipal and State procedure. I know of a case where for 25 years, in a certain city, an appropriation for horses and buggies for a large inspection force has been in effect, where no horses and buggies have been used for many years, for a great part of that time. This is a rather trivial illustration of the necessity for constantly revising the organization and business methods of the department in spite of the fact that the thing may on its surface appear to involve no change or increase. In other words, the mere fact of an increase is not always a guide to the need for considering the extent and necessity for an item of appropriation.

Mr. HAWLEY. A good working appropriation committee would probably have as much information regarding an item as the department may have. That is, it has all the information the department may have because it has accumulated from year to year, and the fact that an item may not be questioned in one year does not indicate that the committee has passed it over without any information or knowledge, but it has passed it over for that year because it is satisfied that the work under that item is justified under the circumstances and the department is doing good work.

Mr. BURKS. Another fallacy which seems to me worth while considering is that members of the legislative body or the public or members of committees are informed or can be informed simply because they have access to documents. It is a somewhat rare thing in my experience to find that documents give accurate and complete

and appropriate information. One of the serious difficulties facing an appropriations committee or a legislative body is the problem of getting information and getting it at the time when it can be of service in reaching a decision as to the character of service and the amount of service to be rendered. This leads me to a statement that may perhaps summarize briefly the entire conclusion I have reached in the little thought I have been able to give to budgetary procedure—namely, that in spite of any system that may be set up in a theoretical budget system, in spite of any organization of Government or governmental department, and in spite of the organization which the legislative body itself may set up to consider these problems, that unless there is adequate detail information available and unless there be time and inclination to consider such information in detail, no budgetary system in itself can be of very great service. In other words, I am inclined to think that a fundamental fallacy which is found in a great deal of the current discussion of budgetary procedure is the assumption that a “system” in itself is in some way going to remedy all these difficulties that people see; that if we only have a law providing that the President shall do a certain thing and that one committee or several committees shall do certain other things, that such a system alone is going to solve the difficulty. Now, I do not believe any system can solve the fundamental difficulties that we are all inclined to recognize unless it is backed up and supplemented by adequate provision for information, and the only way to get that information is to get it all the year around and not wait until the time it is needed and then expect to get it.

Mr. GARNER. You mean information to the Congress?

Mr. BURKS. Information to the Congress and also to the department heads. They ought to be identical.

Mr. GARNER. I do not know what you mean by these general terms. Do you mean that by merely getting a budget system Congress will secure that information? In other words, it will remedy nothing unless the budget committee secures the information; but after the budget committee secures that information I suppose you assume it will send the information to Congress?

Mr. BURKS. Evidently I have not made my point clear. Assume that we have a budget system, that we have a bill fixing the responsibility on the President for doing certain things, with the cooperation of each department head and bureau chief, that it places upon the Congress and its committees a responsibility for doing certain things. There you have the background or the framework of the budgetary system. That is the sort of thing upon which emphasis is constantly being placed in current discussions before your committee. I say that this in itself would not go very far toward remedying the situation that you gentlemen are conscious of and that you want to remedy, unless it is supplemented by adequate provision for departmental self-study throughout the year, from year to year, by administrative officers. If it is not supplemented by adequate provision for summaries and analyses and comparisons based upon accurate data currently brought together and summarized when needed, any budgetary system is likely to break down of its own weight.

Mr. TINKHAM. Who will perform those functions that you propose?

Mr. BURKS. Those functions are to be performed primarily by administrative officers who are in a position to collect, classify, analyze, and summarize their own experience as they go along.

Mr. GARNER. I assume that if Congress adopts a budget system in the executive branch of the Government that they will require them to give to the Congress in concrete form their experience, their observations, and their recommendations. I think that is assumed, and what I was trying to get at is, outside of the information that they give Congress, do you expect Congress to get any other outside information? How are you going to bring the information to Congress any better than it is brought here now?

Mr. BURKS. So far as the appropriation procedure is concerned, such information can only be brought to Congress in the form of improved estimates. In other words, if the estimates are formulated so that they reflect in themselves the experience of the departments for an entire year, or for a series of years, instead of putting up to Congress estimates which need to be supplemented very largely by outside, additional, supplementary information extracted by the Congress through its committees; if the budget estimates themselves are set up in such a form as to give you without the asking the sum of the experience of the departments properly summarized with proper analysis and comparison, then it seems to me you have got about as far as you can in the way of basing your action upon concrete experience and facts.

Mr. TINKHAM. Is it not understood that any scientific budget submitted by the executive department has supporting details or documents to give that very information, or should give that very information in extenso?

Mr. BURKS. Well, that is usually not the case.

Mr. TINKHAM. Would it meet your suggestion if that was done?

Mr. BURKS. I was just trying to emphasize that particular point, that unless this is done, to my mind, however elaborate the system, any budget procedure is likely to be abortive; that it is only when budget procedure is based on a solid foundation of facts and those facts are brought forward so that they will not only be available to Congress after careful study but on their face will explain themselves. On the basis of some such procedure as that you might put Congress in a position to understand these things possibly as completely as the heads of the departments or the heads of bureaus themselves.

Mr. TINKHAM. Then your idea would be really met by the executive department submitting selfsupporting data with their estimates?

Mr. BURKS. I say it must not only be full but it must be classified, analyzed and summarized in such a form as to bring out its meaning. If I may go a little further I may say that it ought to be possible for the entire budget of the United States to be placed in the first instance upon a sheet about this size [indicating], that it should be possible for a Member of Congress or a member of an organization such as ours to take that single sheet and get a birdseye view of the entire proposal for the coming year, and then submit it and explain each one of these items, and there should be a sufficient amount of data to make it clear down to the last analysis.

Mr. BYRNS. I do not know whether you have had occasion to examine the Book of Estimates.

Mr. BURKS. Yes, I have.

**Mr. BYRNS.** I am sure you have observed, then, that under the present system the departments submit to Congress very detailed statements of all their estimates, going into with considerable detail the matter which they desire to expend money on, the salaries to be paid, the number of clerks to be employed, and all those details to which you refer.

**Mr. BURKS.** That brings up perhaps the main question in this connection, and that is as to the character of information which is necessary in order to enable a legislative body or a department head to exercise competent judgment in respect to the work of the department. The necessity for data of that kind can be looked at from several points of view. I suppose this Book of Estimates looks at it primarily from the viewpoint of departmental organization, and inasmuch as departmental organization, to some extent at least, corresponds with functional activities, it does reflect in a certain way the specific classes of work the Government is doing. But I think careful examination will show that a more complete analysis of the functions performed by the various departments and subdivisions of the Government is essential if we are going to get a detailed perspective view of what the Government is doing, how it is doing it and what the relations of the various services are, that it must not only do that but there must be a uniform classification running throughout the estimates, so that it would be possible to bring together in a compact form not only a summary or comparative statement of past and proposed costs of the various functions, but that the data should enable us to analyze further to show administrative practice in performing the several functions. For example, it should enable us to determine the overhead cost of each one of these functions, the comparative overhead and operative cost, the cost of maintenance and the cost of capital outlays for the various functions of the Government over a series of years, so that we can get almost at a glance the trend of procedure in the Government departments from this other point of view.

**Mr. GARNER.** That is practically all done now. Ninety per cent of the reports give the amount of money to be spent and how it is to be spent, and the Book of Estimates gives the number of clerks and the amount of money to be paid. Now, as to the work that you speak of, that is printed in the form of a report by the various departments. There is not a man living who is a Member of Congress who could undertake to read all those reports. I will undertake to say, that reading eight hours a day, he could not read the various reports that come to Congress from the departments touching that Book of Estimates, because I think it would take about 10 volumes, probably, something like the size of this Book of Estimates, in order to do something like what you say ought to be done, and I think it ought to be done but I think if your budget committee in the executive branch of the Government performs its functions patriotically and wisely you will have accomplished a great deal of what you suggest in concrete form because you will have the bureaus' estimates and what they want and if their estimate is larger than the budget committee thinks it ought to be, the budget committee will cut it down and give a reason for it and show what they are doing. In the first place, that will incline the head of the bureau not to ask for more money than he wants from Congress through the budget committee.



Mr. BURKS. I have had occasion a great many times to take the Book of Estimates and other documents and attempt to answer what seems to be some rather vital questions as to quantity and cost of service of the various departments at a given time and the extent to which the service at a later time was being done in other departments, and the possibilities of coordinating and uniting services in various departments, and I must say that I have had considerable difficulty in getting those things into shape without a good deal of work on my own part.

Mr. GARNER. I understand that, but you take the Department of Commerce and the Department of Agriculture. The reports they make go quite into detail as to the work they are doing in their respective bureaus. I do not believe it is possible for a Member of Congress to attend to his other duties and observe those documents as he would like to do in each instance. Of course, I am interested generally in the various functions of the Government, but a Member of Congress does not generally read something of that kind unless it is something he is particularly interested in.

Mr. BURKS. That is true, of course, but it is not a desideratum in this connection to have something like that to refer to? It is hardly to be supposed that any one Member of Congress is going to study the whole subject.

Mr. GARNER. This budget committee is going to go through the work day after day while Congress is going on with other functions, and it will go into the minutiae of the governmental work, how the work is being done, and possibly it may decide that a certain policy adopted by Congress ten years ago has ceased to be of benefit to the people and that the money is not being wisely expended, and in that case Congress might repeal that statute. I think it might do good service in that way, but I doubt whether you can get any scheme where the Member of Congress can go into the various branches of the Government and ascertain whether or not that money is being wisely spent or economically spent and whether it ought to be discontinued or increased.

Mr. BURKS. Can not we at least hope that we will get the estimates and appropriations in form so that any Member of Congress or any member of the public who desires to go into any specific question relating to governmental work can start out with a comprehensive bird's-eye view of the whole thing and then follow it back step by step into as much detail as he cares to go. If he has not any judgment on the subject he can at least be put in the way of raising the question whether or not the items  
All I am pleading for here is for a  
of analysis, and of summary which  
which will give a start, and enable  
it up, or any outside agency repeat  
readily and follow it through. I  
from our main office in Boston, a  
governmental departments. I saw  
the data required in an hour. As  
data available will take me two  
facts that I wanted to get—and the  
appropriation and expenditure for one  
the Public Health Service—were

facts at all. In other words, the appropriations had been made in such form that the amounts appropriated for this specific purpose could not be determined. The accounts were following the appropriation items, and here was a large and rather important activity of this department, the cost of which the department could not by any possibility obtain. I do not assume that any budgetary system or any system of accounting is going to answer everybody's questions at all times, but if there be fairly well-established lines of interest which it may be conceived that Congress or the public may be expected to follow, it seems that all the estimates of a department in the appropriation bill might follow those lines.

Now, Mr. Chairman, it seems to me that if we are going to fix responsibility as between Congress and the President for these expenditures in governmental activities, that it can only be accomplished by supplementing any pattern you may adopt for procedure by an adequate system of information which shall make it incumbent upon departments throughout the year to analyze their experience currently and to have this experience so formulated that it will be readily available to themselves first, and to members of the public as they may be interested.

As regards another aspect of fixing responsibility, the question comes up before us as to the function of a single committee or of multiple committees of Congress in the matter of handling the estimates after they come to Congress, and of the right of Congress to add to or subtract from the estimates as they come. Now, if we start from the assumption that one thing we want to accomplish is to fix responsibility, obviously you will likely confuse responsibility if it be not made clear at every step just what Congress is doing in way of supplementing or extracting from the work that has already been done by the Executive. I assume, as a good many others who have been before you assume, that nothing will be done in any way to limit the power of Congress to alter estimates in any way it sees fit. I want to suggest, however, as a means of fixing responsibility, that whatever alterations may be made in the estimates as they come from the Executive, they should be so set apart or labeled, so to speak, have a tag on them, so as to make it clear beyond any question to anybody who wants to know that they are alterations of the original proposals made by the Executive. Whether this be done in the form suggested by Dr. Cleveland or in some other form; in the form of supplemental appropriations or what not, I think they ought to be distinctly labeled so that they stand out clearly.

The CHAIRMAN. Major, we do that now. Whenever Congress changes an estimate, whenever it increases or decreases an estimate and reports it out from the committee, and there is where the decreases and increases are reflected, we print a report. In one column appears the amount estimated by the department. In the next column appears the amount recommended by the committee. The first column the Executive is responsible for. The next column is on the responsibility of the committee of Congress. In the third column is shown reduction in estimates, or if it is an increase in estimates, it is so rare that we do not have a column set aside for that purpose. Now, that goes to the public, that goes to the House and it is available to everybody. There we assume the full responsibility and explain it just as you have in an itemized and analytical way, so that anyone who runs may read.

Mr. BURKS. Yes; I was aware that information was available. It appears to me that is another instance where the mere fact of having this kind of document available does not actually accomplish the purpose.

Mr. GARNER. How could we accomplish it? Let us suppose a case where, after Congress was through with the estimate, you would have a book published showing the amount the Executive asked for and the amount Congress gave. I think you would have about 10 volumes.

Mr. BURKS. No. It seems to me that the place to do that is in the appropriation bill itself, if the thing comes in the form of a complete appropriation measure, as a single measure.

Mr. BYRNS. The report is a part of the bill, in one sense.

Mr. BURKS. Yes; in one sense, but 1,000 people will read the bill where one person will see the report.

Mr. GARNER. You could say, "Be it enacted by the Senate and House of Representatives, That the following amounts are appropriated," and then you could say, "Item one, \$3,000." Then you would put out in brackets, "This is \$2,000 less than was estimated for." Would you have that on the face of the bill?

Mr. BURKS. No. I think that would be rather awkward.

Mr. TAYLOR. It is a fact that these reports are rather fleeting and they are soon thrown away or lost.

Mr. GARNER. They are for the information of Congress and anybody can get them out of the document room.

Mr. TAYLOR. After Congress adjourns you can not get them. Everything is thrown into the scrap heap then.

Mr. BURKS. Is it not a fact that very few Members of Congress are likely to give attention to the detailed expenditures except in particular instances?

The CHAIRMAN. Is it not true also that the public does not care? They do not pay any attention to it. Is it not a fact that if you published a book in the most approved form containing all that detailed information, that not one man in 10,000 would pay any attention to it? Should it not, after all, be published before the body of men that will really give it consideration, and as long as it is available to everybody else, if it has accomplished its purpose, except so far as it is available for historical purposes, has it not done its real service?

Mr. BURKS. Well, Mr. Chairman, I do not feel quite hopeless of democracy yet. I think that gradually we are going to get democracy to function and until we get to the point where public opinion will take account of this sort of thing, among others, I think we will have to assume that democracy has not gone as far as some of us would like to see it go. It seems to me that we ought to aim at getting information of this kind with the purpose of getting responsibility in such form that the man of average intelligence and interest who goes after anything at all can hardly help getting it.

The CHAIRMAN. I agree with you there.

Mr. BURKS. Now suppose an appropriation measure for a bureau of the Department of Agriculture, let us say, should be published and printed in two parts, the first part under a heading which indicated clearly that it was based definitely on the executive estimates, and below that a supplemental statement of items of appropriation indi-

cating clearly that these items in some way departed from the recommendations of the executive. Whether that would be the proper way to do it I can not say, but it illustrates the idea I have in mind.

The CHAIRMAN. Would not that purpose be accomplished if we required at the end of each session of Congress, if all appropriations were handled by the Appropriations Committee, a preparation by the clerk of that committee in a form that could be readily understood, in four columns, say, showing, first, the amount estimated in the budget; second, the amount appropriated; third, the decrease in the budget estimate; fourth, the increase in the budget estimate, and then give the itemization as fully as it was thought to be necessary, and at the same time not in such complete detail that the volume would be so bulky that no one would read it. Would not that answer the purpose?

Mr. BURKS. I think that would certainly be a good start, Mr. Chairman, but I hope the time will come when a matter of disagreement between the Congress and the Executive upon an important question——

The CHAIRMAN (interposing). Oh, if it is an important matter then an issue is raised between the Executive and the Congress.

Mr. BURKS. As a matter of fact, a number of important issues are raised without any particular attention being paid to them.

The CHAIRMAN. A good many differences have arisen in the Army and Navy appropriation bills as to whether, for instance, there should be a one, two, or three ship program, etc.

Mr. BURKS. Well, they are spectacular.

The CHAIRMAN. They are spectacular largely because of their importance.

Mr. BURKS. Yes; but there are a lot of things quite as important in their way that do not make the public appeal and do not get the eye of Congress to the same extent; matters affecting public health, for example, are not likely to attract either the attention of Congress or the public, because tradition does not emphasize them.

The CHAIRMAN. About four months ago a gentleman came to my office and talked to me about the budget. We discussed the Book of Estimates. He complained of the Book of Estimates, because it was so much in detail that he could not find what he wanted. He said there was too much in it.

Mr. BURKS. Would you not say that it is somewhat difficult for a man who is not on the job practically all the time to take this Book of Estimates and get out of it readily what he wants to get?

The CHAIRMAN. Yes; because it is so much in detail and any estimate that is in the minutest detail is of that character. This morning I think Mr. Allen rather criticized the Illinois budget system because it was not enough in detail. Now, they have done this. They prepare a budget, as I understand it, and then with it goes a supplemental explanatory budget that goes into the minutest detail. It is barely possible that that would be the best plan for the National Government to take up because there you get a bird's-eye view and then for the detailed plan of the appropriations you would have this explanatory budget.

Mr. BURKS. I have only opened this book at random and I come to the department of public works and building. I see that they want so much for salaries and wages, so much for office expenses, repairs,

and contingencies. This does not mean anything at all to me, because unless I have some notion of what they are going to do with the salaries and wages and what they are going to repair, I might as well stop right there.

The CHAIRMAN. It has been explained to us by Gov. Lowden, of Illinois, and also by Mr. Wright, the director of finance there, that with a much larger document they went into the minutest detail, even giving the number of employees in each of the divisions, the salaries paid, the places where the buildings were to be repaired, if it was a question of repair of buildings, or if it was a question of buildings, it gave the nature of construction and the estimated cost, and everything of that kind. Now, you have pointed out here a weakness that I think most people find in our Book of Estimates which, as you have said, is in the nature of a budget. It is a budget of the estimated requirements of the Government by the various departments, but it has so much detail in it that it is hard to find anything, and that is true of any system that you employ if you go into details, because you have to wade through the details in order to find the particular detail that you are looking for.

Mr. BURKS. Unless you have this, and this is the crux of the whole problem, unless you start with a perspective that would give you a bird's-eye view on one sheet of paper. As a matter of fact you can get anything in the universe on one sheet of paper to start with. If such perspective gives you the main facts regarding the proposals and if it gives you at the same time the guides that enable you to go forward to the next level of details until, if you are interested enough, you can go down to the last salary and the last postage stamp, then it seems to me you have readily available to any inquirer, in Congress or out of Congress, just what you want. About all you can get from the Book of Estimates is the recapitulation by titles, then the recapitulation by departments, then the total recapitulation by departments. For example, on page 953 of the Book of Estimates for 1920 we have for the legislative branch for 1920, \$1,989,517. The first item is for \$771,000.

Mr. TEMPLE. You can turn back into other part of the book and find the various details.

The CHAIRMAN. Yes. There is an item for general salaries, account of the Senate, \$927,000; the pay of Capitol police, etc. Then the total for the Senate and then the same with regard to the House of Representatives. Then it gives you the recapitulation by titles. Then commencing on page 965 it gives the total recapitulation by title where it is all put on one page. Then commencing on page 966 it gives the recapitulation by departments. Then on page 998 is the total recapitulation all on one page by departments, in very condensed form, etc.

Mr. BURKS. That is exactly the kind of thing I had in mind. Of course, I am familiar with that. What I had in mind was an explanation of the items and a systematizing of the practice, and the adoption of greater uniformity in classifying the activities of the various departments, making it possible to get this very perspective from some other point of view. As a matter of fact, I think it is a good suggestion to start with a broad view and follow it out into details. If I may use an illustration, the periodical statements of the American Telegraph & Telephone Co. raise a great many interesting questions.



They publish their annual report in such a form that you can first open the book and get the entire situation on one page and then follow out the details later on. You take the first item and get the subdivisions of that item on another page, and the second item is summarized and expanded in the same way.

It seems to me that was such an admirable, logical, clear presentation of a set of financial data, and I have studied it with considerable care. The governing idea is to start with a general perspective and extend that at various levels of detail until you get down, as you do in the Book of Estimates, to the lowest level, and make it easy to pass from one level of detail to another, by proper references. With such full analyses and proper statements of various kinds, it would be unnecessary for Members of Congress and of the committees or outside observers to do a lot of work with their pencils to get an answer to the many pertinent questions that may arise.

Mr. TEMPLE. Is it not true that any particular item may be obtained from an account made according to one system, while it might not be available if the accounts were kept according to an entirely different system? I have heard manufacturers and others complain that the reports required by State governments and the reports required by the United States Government are so dissimilar that they require accounts to be kept on two entirely different plans.

Mr. BURKS. Well, of course, when you come to cost accounting and are planning to get detailed costs, you have a somewhat different problem before you. I was thinking rather of appropriations accounts and the summaries based upon the details of appropriations accounts.

Mr. TEMPLE. That should all lend itself to accounting.

Mr. BURKS. It should, of course.

Mr. TEMPLE. It should tie up with the system.

Mr. BURKS. Yes; but to such extent as it is necessary to duplicate service of that sort in the governmental accounts, of course, it is unfortunate. That simply means that we ought to have greater uniformity among the States and other governmental units in order to avoid the necessity for duplicating in that respect in order to meet the particular requirements of a State or of the Federal Government.

Mr. TEMPLE. No matter what the system you have, you might have to search those accounts in the records for items that you would have to dig out that would not be placed obviously before your attention.

Mr. BURKS. I wonder whether it would be possible to determine from the appropriation bills of Congress and the appropriations accounts, say, the amount of money that was appropriated during the current year for transportation; transportation of persons or transportation of supplies.

Mr. GOOD. One might be able to pick out in the hearings what was estimated for that purpose; but the appropriations for transportation are very often carried in such manner by the department that it would be impossible to tell until the end of the year how much was paid out for that purpose, because some one at the head of the department might determine to do more of his work by sending officials of the Government out into the field one year than he would the next year; and they have always asked for a contingent fund to be appropriated in a lump sum. Practically all the departments do that, and a great deal of their travel allowance is included in funds of that character which can be used for various purposes.

Mr. BURKS. I was not disposed to lay any particular emphasis on the item of transportation. I used that simply for illustrative purposes. If, as a matter of fact, there is such uniformity in the classification of appropriation items as to make it possible to get a summary like that to that extent, we can build up summaries that will reflect in perspective the activities of the Government as a whole.

Mr. GOOD. I expect the largest sum available for that purpose is from the collection of internal-revenue tax and the income tax.

Mr. TEMPLE. There is the appropriation for the transportation of the Army.

Mr. GOOD. Yes; but I am talking about the civil establishment. That is for military purposes. I think you can see at a glance, for work of that kind, if a fund was appropriated for that purpose 18 months before all of it was expended and no appropriation would be available for transportation expenses, unless appropriated for itself. That considerable of our income tax might not be collected—in other words, that the Commissioner of Internal Revenue might be hampered very materially by that sort of an arrangement. I doubt that it would work out in practice, but the tendency has been on the part of every executive officer to get his maximum appropriation, not only for traveling expenses, but for practically every purpose, so that he could use it for one purpose or another.

Mr. BURKS. That brings up another very important matter in respect to budget procedure. Even though you make lump-sum appropriations to cover certain groups of items, is it not desirable that estimates be made in detail, and that the requirement be enforced that in making expenditures of lump-sum appropriations the expenditures be classified under the same headings as the detailed items of the estimates, so that in the future when you come to consider the estimates of a department you shall be able to set up side by side the estimates of last year, the actual expenditures of this year, corresponding item by item, so that an index will be given of the good or bad judgment of the estimating officer in making up the details, on the basis of which you make your lump-sum appropriation. In other words, every lump-sum appropriation will cover a specified group of items, these items having been estimated for in detail.

Mr. GOOD. Well, take the estimate for clerk hire in an appropriation bill. One official when he was asked what he wanted with such a large sum and where they were going to put the clerks, said, "We do not know where we are going to put them. That is the reason that we ask for a lump sum. We think that we are going to need this number of clerks, judging by the amount of work we have on hand, and estimating the number of men that will probably be in the Army, on the average, during the year. Now, just when we will need them we can not tell. That is the reason we ask for a lump sum," and Congress was unable to discover, and so the only thing to do was to give a lump sum.

Mr. BURKS. I understand that, perfectly; but even assuming, Mr. Chairman and members of the committee, that in time of war, or even in the present transition time after the war, it is necessary to depart, as you have departed, from the procedure of normal times. All emphasis should be placed upon the 50 or 60 years that have intervened between our wars rather than upon the 3 or 4 or 5 years of

war that we have had in the last 60 years. And I presume that we are all talking now about the procedure that should be expected during the normal times in which the Government operates.

Mr. GOOD. There is one matter that you have touched upon just briefly that I would like to have your opinion on. That is the power to permit any officer to change, year after year, the forms of estimates so that the amount estimated for is not comparable with former estimates, or with former appropriations. Some departments have changed their forms so often that you can not keep up with them and all opportunity for a comparison year by year is lost. Now, if everyone who comes along with an idea as to the form of estimates can change it to suit him, the executive departments would be passing something over to Congress that might be itemized in the minutest detail, but Congress would not be able in months of investigation and study to make a comparison with the appropriations and estimates of previous years.

Mr. BURKS. You could only really compare on the basis of totals.

Mr. GOOD. Well, of course, if we are not right in our plan, we ought to have a plan that is right, and then provide that there must be some uniformity in these details that are furnished Congress from time to time, so that they are comparable with previous years. But if we are to change from the plan of making appropriations by departments to a plan for making appropriations by functions, or otherwise, I can see how it is going to be necessary to make that change. It will be a radical change. But whatever change we make, I think that it ought to be a change that is based on a principle that will stand, and so that it will not be necessary every year to change the form.

Mr. BURKS. That brings up the question of the various types of classification that should be kept in mind in building up a budget system. Obviously, you must adhere to the classification by departments. Obviously, within any department the main activities of the department or bureau should be set out by themselves. It is not quite so obvious, however, that one or two other types of the classification, crossing these others, should be adhered to and made as nearly as possible uniform throughout the service.

The other two things I have in mind, of course, are familiar to all of you; they are a classification of services or things to be bought in order to carry on the activities, those services or things being personal services, contractual services of various sorts, and supplies, buildings and grounds, and capital outlay of that sort. A uniform classification of this kind lends itself to a uniformity of analysis and summary which otherwise, of course, is quite impossible, and the question I raised a moment ago as to whether it would be possible to get a statement of the total appropriated or expended for such a thing as transportation, was intended to suggest the desirability of having a uniform classification throughout the Government, of services and things that have to be bought in order to carry on the various activities.

Then, the method by which these services and things are utilized within the department for carrying on the functions furnishes the basis for another kind of classification, roughly indicated by such terms as "overhead," "operation," "maintenance," "repairs," and so on.

If as great a degree of uniformity as possible could be introduced into estimates of appropriations, it would make it possible easily to formulate summary statements that would give a perspective, I believe, of the enormous value to the country, to the committees of Congress, and to any outside student.

Now, just one other thing, Mr. Chairman, and that I want to suggest in connection with the matter of fixing the responsibility. I have suggested—if I may summarize very briefly—that in order to fix responsibility we have, first, to insist at every stage of the procedure upon adequate, intelligible, intelligent information, properly classified, summarized, and compared. I have suggested that the only effective way of getting this information is by making it incumbent upon the operating departments to get the information as they proceed, and not wait until the time for the preparation of the estimates and then try to get it together, because in that case it is inadequately prepared.

It is only as a budget of estimates becomes a definite thing, based upon concrete, verifiable, intelligible information accumulated currently by the department in its actual operations, that it is going to fix responsibility.

Mr. BYRNS. Is it your idea that there ought to be some separate organization or bureau or official who is especially designated to do that throughout the year?

Mr. BURKS. No, Mr. Congressman, I should say that unless that is done as the part of the current operations of the departments themselves, it will never be well done. It is practically impossible for an entire outside organization to allocate these facts in the proper way, as can be done if it becomes an integral part of the organization and procedure of the department that is doing the work.

Now, as to the check on that sort of thing—an independent audit, an independent control, and the formulation of information independently for the information of Congress—that is another thing.

But everything else, to my mind, fades into insignificance when compared with the importance of insisting that every operating department accumulate and summarize its own information as it proceeds, as a day to day matter.

Mr. BYRNS. Would it not be assumed that a man who is the head of an important bureau, and who is capable of handling the bureau as it should be, administering the bureau as it should be administered, would do that very thing?

Mr. BURKS. That might appear to be a fair assumption, but I think it is somewhat violent in view of the facts.

Mr. BYRNS. You may be right about that. You no doubt are.

Mr. BURKS. In the light of modern business procedure, this sort of thing seems so axiomatic that it seems almost idle to state it in connection with a hearing of this kind, but I suggest that even in the Federal departments there is some cause for modification of that viewpoint.

The question, of course, has been raised many times as to how these estimates, assuming now that they are based upon information currently collected and recorded and summarized by the department—that at the end of a given period you have the information readily available—assuming that it comes in properly summarized and printed, the question then is how to fix responsibility from that point on.

I have suggested that as a means of keeping the responsibility fixed, whatever the legislative body does should be set apart and labeled in some way so that anybody could—or, perhaps I had better put it this way: So that nobody can fail, if he examines at all the record, to see what the legislature has done with the proposals of the Executive.

Now, as to whether these things are considered by 1, or 10 or 20 committees, I think there are some important points.

Mr. Freer, and some others who think like him, are inclined to insist that unless you centralize the estimates of the committees in one committee, you fail to make any progress. I should say that the answer to that question depends upon the answer to another question, and that is, what you expect to do? What do you expect to accomplish by reference to committees? At present the thing that Congress is attempting to accomplish, when it refers these estimates to eight or nine committees plus a few subcommittees, is to formulate what, in effect, is a budget of estimates to present to the Congress for its consideration. If that be the purpose, if, in other words, the responsibility for the formulation of a budget is to be assumed by Congress and its committees, it is possible that the present method is just as good a way to do it as some other way, although there might be advantages in having the whole thing done by a central committee with subcommittees.

Mr. Good. I hardly think that that is the correct function of a subcommittee of the standing committees. That estimate has already been formulated. Neither Congress, nor any of its committees, formulates. The formulative stage is passed when it has transmitted to Congress the Book of Estimates, and it is on that estimate of requirements that we hold our hearings, and I think more properly the work then of the committee is to formulate a bill carrying an appropriation for such estimates, or the modification thereof, as the committee may think wise, rather than to commence in the formulative period of making estimates.

Mr. BURKS. Mr. Chairman, I had in mind the British procedure, under which the Government presents to the House of Commons a budget. The nearest thing, it seems to me, in our budget procedure—of course we have nothing exactly corresponding to it, but the nearest thing to it—is the present appropriation bills as they are reported from the committees to the House for its consideration. In other words, I should regard the reports of the appropriating committees, taken together, as the budget. These other things in the Book of Estimates nobody outside takes very seriously. Nobody ever hears very much about them. Nobody has assumed responsibility for them. As a matter of fact, we all know that they are formulated independently and more or less irresponsibly by bureau chiefs, and they are sent through their department heads; in some cases the department head does not pay much attention to them; in some cases he pays more.

Mr. GOOD. You will not get any of the departments to agree with you on that.

Mr. BURKS. I have had some of them agree with me on that.

Mr. GOOD. Not openly.

Mr. BURKS. No; not openly.

Mr. GOOD. They are very serious about these items.



Mr. BURKS. Every head of a department is put in the position where he signs the thing and sends it to the Secretary of the Treasury. and he can not do anything then but come before you and say, "I assume responsibility for this." He is responsible for it in one sense; but he is really no more responsible for it than the Secretary of the Treasury is, because he has been forced to a point where he has to take the estimates of the bureau chiefs. Sometimes they get together and have conferences and do a little pruning here and there. but as a matter of fact there is no sense of responsibility anywhere for these things that go before the committee until the committee gets them and brings these people in and examines them and then formulates the proposal that is taken seriously, and these, I believe, constitute the group of proposals that most closely correspond to the British budget.

Mr. BYRNS. After all, to get back to our present system, that is the fault of the head of the department itself because he has the power and it is his plain duty to revise those estimates. Now, if he has fallen into slack ways of accepting estimates of the different bureaus in the department and passing them on to the Secretary of War, who has no power to revise them but simply to send them to the Congress, he is neglecting the plain duty that is imposed upon him by law.

Mr. BURKS. In a sense that is true, of course; but our minds all operate about the same.

Mr. BYRNS. Now, if the present law, placing the duty on the Executive, is not observed by him, how is Congress to enact a law of a more perfect nature that will be observed by the head of a department?

Mr. BURKS. No; I think not. It is a matter of emphasis. The reason the plan operates as it does now is because the emphasis is placed upon the work done by the committee. That is the thing that counts. That is the thing that goes forward, and the issue raised by Congress is on that rather than on anything else.

Mr. GOOD. There are exceptions to that.

Mr. BURKS. Of course there are exceptions, Mr. Chairman.

Mr. GOOD. For instance, when we held the hearings this year on the sundry civil bill there was an estimate of something like \$14,000,000 made by the chairman of the Shipping Board for a service to recruit and train men for the shipping industry carried on by that board. When it was pointed out to Mr. Hurley that the training of the men was in part performed by ships in the service, that were carrying cargoes, and in part outside, on training ships, he said that the Shipping Board intended during the next year to train practically all its men on ships that were making short voyages but were nevertheless carrying cargoes. When that was developed it was apparent to the committee that the charge was not a charge that should be paid out of the Treasury of the United States, but was an operating expense of the Shipping Board; and when that was developed Mr. Hurley said, "I agree with you. I withdraw the estimate." Now, that ought to have been determined long before. It was a plain business proposition. It ought never to have been submitted to Congress at all.

Mr. BURKS. No question about that.

Mr. GOOD. Our attention is frequently called to these things, and which goes to the point that we find too much insistence on the

executive heads and bureau chiefs who make up the estimates, and no revision at all by the members of the Cabinet who, in the last analysis, must pass upon the estimates before they are forwarded in the Book of Estimates.

Mr. BURKS. What I was trying to do, Mr. Chairman, was to explain, if I could, the psychology of this practice, and I believe it is to be explained in the main not by any desire or willful neglect on the part of any of these people—they have no desire to neglect their legal duties or to sidestep their responsibilities—but is due to the fact that there is a general feeling that pervades the public and the executive branch of the Government that, after all, these departmental estimates are not taken very seriously. The thing that is taken seriously is the report of the committee, and if the committee puts up something, they may be grilled on it, to be sure, but if they are able to stand their ground——

Mr. GOOD. Will not the psychology work out this way? We make the President responsible for the budget. The President will then naturally say to his Cabinet members, "I will be responsible for the next budget that is to be submitted to Congress for expenditures. Being responsible, I want to know that every item requested is absolutely necessary for the service that is required, and I want you to know it, because I shall shift the responsibility to a certain extent to you. I want you to see to it that your departments are efficient, and they are not asking for any money for the next year except that which is absolutely necessary for a governmental function." Now, will that not be the psychology of it, that it will result in greater efficiency in the department chiefs, with a closer scanning of every item that a department estimates for the service of the department?

Mr. BURKS. Why, yes; Mr. Chairman, but I do not see that that method of fixing responsibility will coordinate very closely with the present system of fixing responsibility, which fixes it at a different point.

Mr. GOOD. I agree with you.

Mr. BURKS. We have got to make up our minds that we will fix responsibility at a definite place, and then act consistently on that basis.

Mr. GOOD. The fact is that no person is made responsible in the first instance for all the estimates that is the difficulty; and there is no coordination.

Mr. BURKS. That is one of the difficulties—one of the serious difficulties.

Mr. TAYLOR. What is your idea of how to fix this responsibility of the executive departments? Congress can take care of itself. As a matter of fact, with all due courtesy, I do not believe that anybody who has not had legislative experience can come in here and advise Congress very much, and especially the older Members, as to what is the best way to handle it in the House of Representatives as to whether with one committee or seven committees, or various other ways, in Congress. We can take care of that, I judge. But how can we make these executive departments pay any attention to economy and cut out duplication and discharge a large number of unnecessary war clerks, and readjust their machinery in the interest

of efficiency and economy? I think the public is right in thinking that many thousands of Government employees should be let out.

Mr. BURKS. I think your estimate is rather low.

Mr. TAYLOR. The people of the country think that after the war is over we ought to eliminate some of the urgency temporary employees. There is not one of these department heads that will ever cut out any appreciable number, generally speaking. How can we make them economize and stop duplication? Congress would be economical if the departments would do their share.

Mr. BURKS. I am glad to hear you say that. A month or two ago I was in the Army, and for the last six months I was connected with the General Staff. I will not mention the particular office because I do not think that is necessary.

Mr. TAYLOR. No.

Mr. BURKS. I saw with my own eyes, day after day, hundreds of clerks who were doing nothing.

Mr. TAYLOR. Everybody sees that. There is one building covering some 15 acres of ground with three stories and with 45 acres of clerks in that building, and they probably ought most of them to be sent home.

Mr. BURKS. But at the same time it would have been quite impossible for the head of the division I was working with to determine whether I or anybody else in this organization was unnecessary, for the reason that the information coming to the head of the division was not such as to give him any perspective at all on the amount of work being done or the prospects for the future. He had no perspective on this sort of thing; and when he came to make his estimates for the current year, no doubt he took the estimates of last year, and he said, "Well, now, here; may be this thing is going to contract a little, and we had better cut out about 15 per cent and let it go at that." That is probably the way he did it. It emphasizes the fact that you can not get rid of these 25,000 clerks here that are superfluous—without—

Mr. GOOD. I think by the end of 1919 somebody will understand that we can get rid of some of them.

Mr. TAYLOR. But you will get mighty little help from the department heads. Why can not we make them do some detail economy work? We have now nearly 20,000 bills before us, and we have a world of things to do in Congress besides raising money and appropriating it, and we ought to have some help from those outside rather than to be blamed for their utter lack of system in trying to save money. At the present time Congress is blamed for all the extravagance and inefficiency and unnecessary expenditures of the executive departments and gets no credit for practicing practically all its economy there is practiced. The House is the only watchdog of the Treasury.

Mr. BURKS. If I may be allowed to interpolate a moment, I would not assume to answer that question fully, but I am disposed to think that one reason why you do not have the help of these department heads is that the momentum of the general system, is such that a premium is placed upon lack of information to a considerable extent rather than upon full information. In other words, if I may put it a little differently, the department head or the bureau chief who can keep things more or less in the dark, under cover, often stands quite

as good a chance of getting his appropriation as the fellow that comes out frankly and tells all that he knows.

Mr. HAWLEY. Is not that a rather serious indictment of the public servants?

Mr. BURKS. I think that is a serious indictment of the system under which many public servants are compelled to work.

Mr. GOOD. Now, I want to take issue with you in regard to the information in the departments. Take the War Department. They have how many clerks? In April of this year they had 25,922 clerks.

Mr. TEMPLE. What department is that?

Mr. GOOD. That was in the War Department alone. If there is an efficient man in the department who wants to bring about a reduction of that force, if there is a force larger than is necessary to do the work, I say to you that under the laws that are on the statute books now he has all the powers that Congress can give him to bring about that reduction.

He has the power to reduce in any one of the divisions or bureaus of the department, and no amount of red tape that we can tie onto that system is going to help him any in the exercise of that power. The trouble is, just as you explained a moment ago, there is no disposition to reduce. There seems to be no desire anywhere to bring about a reduction of force and a saving of money. They have a lump-sum appropriation and I suppose they are only watching to see that they do not exceed the lump-sum appropriation. Word comes to the various committees that there are officers and employees here not doing much of anything.

Mr. BURKS. There is no doubt about that, Mr. Chairman.

Mr. GOOD. The man in charge has the power, under the law, to cut off heads by the thousands, and no system that we are going to install, in my opinion, will bring efficiency in that line.

Mr. BURKS. I should say, Mr. Chairman, I agree with you thoroughly up to that point.

Mr. GOOD. Yes.

Mr. BURKS. I think no mere mechanism is going to accomplish the purpose. You say the responsibility is fixed now. In a formal way it is, but the responsibility is not accepted. But let me illustrate what might happen in a department, if another point of view was in force. Suppose that it were necessary for every one of these clerks and every officer in the munitions building—I believe you referred to that; I am somewhat familiar with that building, too—suppose it were necessary for every one to account to his superior officer for the expenditure of his time, to show how he was spending his time, continuously, every day. My observation and experience is that I, myself, in the first place—hesitate to tell a story that is more or less not creditable to myself, and if I know that I am going to be required to tell the story, I may be a great deal more likely to spend my time in a way that I will be proud to tell about, than I would otherwise be.

If I am to be permitted to go ahead in the dark and not tell the story, then I myself become lax in the disposition of my time, and my chief, three or four steps on, or a dozen steps on, up at the head of the aisle, has no means of knowing what I am doing except as he drops down once a week and sees me twiddling my thumbs. I may be an extraordinarily industrious person, and he may happen upon

me at a time when I may be unemployed. So it is quite impossible for an administrative officer, on the basis of his own unaided eyes and ears, to reach a determination as to where the unessential and superfluous assistance is.

This emphasizes the exact point of view that I have been trying to bring out; that any system of fixing responsibility is liable to be unavailing unless it is based upon some concrete, reliable basis of day by day information as to what is going on, as to work done, results accomplished, cost incurred, work not done: not once a year, not once in six months, but constantly as we go about our business from day to day.

I believe, Mr. Chairman, without any exaggeration, of these 25,000 clerks, assuming that number that you speak of to be the number here in the city——

Mr. GOOD. There are over 100,000 employees in the city, you know.

Mr. BURKS. I mean idle ones. I think your estimate was that there are 25,000 that could be dispensed with in Washington. I think that might largely cure itself if provision were made requiring a current record to be made of what those people were doing and what they were accomplishing. In other words, the very fact of throwing light on the situation tends to clear up a situation which otherwise may go on indefinitely.

Mr. TAYLOR. What is the practical way to throw light upon them?

Mr. BURKS. There is only one way of turning on the light and that is by getting accurate information and having it properly summarized and compared so that the interested person can see, as he proceeds from point to point, what is happening. That is the only way: the only means by which a group of men can sit down in New York and pass upon questions of policy with respect to a great railroad system, say like the Union Pacific—and they are constantly doing it effectively—is by having before them constantly adequate information regarding the problems they are trying to handle.

It is as true in a governmental office as it is in the commercial or industrial office, that adequate information furnishes the only possible basis for the exercise of intelligent administrative judgment, and the same set of facts which would enable an administrative officer to handle his problems intelligently and effectively will enable Congress to exercise its functions most intelligently and most effectively, because the facts, if properly collected, classified, analyzed, summarized, compared, furnish the means by which you can get perspective and pass judgment upon the work done and the results accomplished.

Mr. TAYLOR. Every once in a while Congress appoints a committee which goes out spasmodically and investigates some department.

Mr. BURKS. Yes.

Mr. TAYLOR. Why should not the public demand the same personal responsibility and financial patriotism and scrutiny of expenditures of the public moneys on the part of the departments that Congress displays?

Mr. BURKS. I think they should.

Mr. TAYLOR. It is a part of their official duty and not a part of our duty to go and smoke them all out and act as detectives on them. We have not time for all that.



Mr. BURKS. Your responsibility, I should say, starts from this point of view, that in order for you to do the thing that the Constitution lays upon you with the greatest intelligence and the greatest effectiveness it is absolutely essential that you have at your disposal the very things that are necessary for the public official to have in order to carry on his routine of daily work.

Mr. TAYLOR. They come in with a budget and say, "We want 148,000 clerks for next year, and we want so much money, and everything of that kind. It is your duty to raise the money, and furnish it to us." That is an herculean task for us, to go and investigate and tell them that they do not need either that many clerks or that much money. They know or ought to know their own business better than we can learn it with our limited time.

Mr. BURKS. I think it is safe to assume, gentlemen of the committee, that if a committee of Congress or if the Congress as a whole, through general legislation, makes it clear that specific kinds of information are going to be regarded as essential, the response is going to come from the people at the other end of the avenue. I think it is safe to assume that an administrative officer of the United States Government, if he tells any story at all, is going to tell the truth so far as he knows it. The difficulty does not lie in mendacity.

Mr. TAYLOR. Oh, no. I am not at all charging or thinking of any criminal wrongdoing. They do not have to go out and explain to the voters and taxpayers and be responsible to them every two years and they do not have a constant spur to economy.

Mr. BURKS. Not at all. It lies in, and the difficulty really is to be attributed to, the emphasis that is placed by all of the forces involved, on one or another attitude of the administrative body. From the little observation I have given I have been rather confirmed in the conclusion that things are not very different here from what we find in Philadelphia and New York and Los Angeles and San Francisco, in California and in New York State. I believe it is true that the public administrative officer usually feels that he is going to go just about as far in this direction as the public demand or some other demand makes it necessary to go. He has a lot on his hands, he is busy all the time, and has all that he can do to keep his nose above water.

Mr. TAYLOR. Each department is naturally trying to grow as much as every other one does, to keep up horizontally, and even more which accounts for their always wanting to put on more employees and demanding more money. Of course necessary growth is all right but it should be necessary and not just an automatic increase in employees and money.

Mr. BURKS. Yes; and as long as a man in administrative authority can get about as much by holding back information as he can by coming forward with the information; as long as he can get about as much by inflating his estimates as he can by putting in estimates that he would regard as having proper perspective, he will probably continue to do the thing that custom and tradition and momentum of various sorts has established in his department. These things can not be looked at from the viewpoint of this particular Congress. These attitudes, these department customs and traditions, have grown up through many generations of office holders and sessions of Congress, and it is not an easy thing to break down that sort of structure and bring in a new order. It is not easy; but it can be done.

at all, only by persistently and everlastingly emphasizing the importance of full and complete information gathered as we go; of self-study on the part of departments for purposes of administration in the first place, and for purposes of furnishing Congress, in the second place, with the basis for their judgment with respect to administrative problems.

Mr. TEMPLE. The committee would have to rely on the administrative officer for telling the clerks what amount of work they ought to do and all that. Is there anybody else that can furnish that information?

Mr. BURKS. No, sir; I think not.

Mr. TEMPLE. Then it will have to come from him, either to a budget committee or to Congress.

Mr. BURKS. You can utilize an efficiency bureau which can send out investigators to gather data regarding the duties performed by the various members of the departments. This can be done from time to time. But such a bureau can not be expected to do that continuously for every department of the Government. They would have to have a stupendous force to do it.

Mr. TEMPLE. No; the only thing is for the men who are in direct contact with the work done by an organization, to know whether they have too large a force or too small a force, and make reports.

Mr. BURKS. Yes.

Mr. TEMPLE. And if there are no idle clerks down there, it is very important that there should be some official knowledge of that. We can not get rid of our responsibility in Congress. We have to appropriate the money, and we have to levy taxes, and nobody else can do that; but we have to do it on such information as we can get.

Mr. BURKS. Yes. Now, the only way you can affect the kind of information that you get, it seems to me, is by demanding the kind of information you think you ought to have; and by assuming that the kind of information you need is, at the same time, the kind of information that the administrative officer needs to conduct his business from day to day. You will thus accomplish two purposes at once.

The usual response that comes from that sort of demand is, "We can not take all our time here making records." Now, as a matter of fact, wherever a program of this kind has been put into effect, it has been shown that instead of wasting time it saves time, instead of wasting money it saves money, because when people begin to work in the light of their own record, their whole attitude toward the public service changes. I have seen this on numerous occasions, in Philadelphia, and in New York, and I know that there is something that can be done all the way down the line; from Congress, from the President and the heads of departments and bureaus, all the way down, there would be a constant recognition of the fact that a record is being made day by day, and that every person's standing in the organization is going to be based upon that record.

Mr. BYRNS. That is quite true, Major; but, after all, Congress is absolutely helpless when it comes to saying how many clerks— I mean with any degree of accuracy—shall be needed in a particular bureau or division, whether they need 20 or whether they can get along with only 15. As Dr. Temple says, Congress must get this information from those who are in charge of the bureau or division.

who superintend or supervise the work, and Congress must necessarily, unless it takes the chance of absolutely impeding the public business, accept their verdict upon it.

After all, does it not come down to the proposition—and you have been speaking of functions which are more administrative rather than legislative—that some one in the executive branch of the Government, a man responsible to the people, and who will be held responsible to the people—and of course he could only be the President because the others are appointive officers—should have the responsibility fixed upon him to see to it that the very things that you mention are carried out, and faithfully carried out; because, without criticizing anybody in particular, but by way of a general statement, I may say that I have noticed on the part of many chiefs of bureaus and divisions a disposition to come before this committee and not yield one single iota, in the face of a rigid cross-examination, on the question of whether or not they can get along with less clerks. They are all interested in making the committee understand that they need more clerks rather than less clerks.

If the head of the executive branch of the Government, under whom they hold their positions, civil service though they may be, was given the responsibility, or rather the responsibility was fixed upon him, to say to the heads of the departments and through the heads of the departments to these heads or chiefs of divisions and bureaus, "You are going to be held responsible if you do not do thus and so," it seems to me we would get some relief.

Mr. BURKS. I do not suggest this as a proper procedure for the Congress, but just suppose that the Congress should pass a general law requiring every department in the Government to provide for every employee in the Government, or if not for all, certain classes of employees, we will say clerks—provided that they shall keep, day by day, a record adequately describing the service performed, the disposition of their time. Is it possible that that sort of requirement would emphasize in the minds of administrative officers and in the minds of the clerks themselves the importance of devoting their time profitably to the service of the Government.

Mr. GOOD. It seems to me we are getting a little afield of the principal thing we are after.

Mr. BURKS. What I am trying to emphasize is the importance of a type of information built up from day to day experience, which shall ultimately be reflected in the estimates presented to the Congress, so that the estimates shall clearly be based upon adequate information which shall be available both to the administrative officer formulating the estimates and to the Congress which has the duty of passing upon the estimates. These minor details as to how this shall be accomplished we are illustrating by reference to one or two matters which perhaps are not in themselves pertinent.

Mr. GOOD. Have you given any study to the independent audit and control?

Mr. BURKS. I have given some, yes, Mr. Chairman.

Mr. GOOD. Do you desire to express an opinion on that subject?

Mr. BURKS. I have already made a statement that it seems to me what is contemplated in this part of the Good bill, while important, is not so important from the point of view of budget procedure as that of the current accumulation and analysis of data, and self-study

by the departments, themselves. However, I do regard it as a fundamental and very important matter, because if the Congress is going to pass over to the President the responsibility and power that would be involved in this sort of thing, it is quite appropriate. I should say, that the Congress should have an independent source of information as a check upon the great responsibility and power thus placed in the hands of the Executive.

Mr. GOOD. But do you not think that that should serve to correct some of the things you have been discussing here?

Mr. BURKS. Undoubtedly.

Mr. GOOD. In regard to inefficiency in the departments?

Mr. BURKS. I do not think there is any question of that.

Mr. GOOD. Would not that be the best way to reach that very subject, to have in the departments all the time auditors and employees of the controller general who will report to him and through him to Congress with regard to the facts? For example, here is a department where the clerks are not working when he goes in there. He will report that to the controller general, and the controller general, without fear of being removed, would very willingly give the facts to Congress. That would mean a shaking up at once right in the department. It would bring that check and balance into operation that is absolutely essential to get real, efficient service.

Mr. BURKS. There is one difficulty you would run against right away, however, in respect to that matter.

Mr. GOOD. What is that?

Mr. BURKS. The customary, traditional significance in an office with the title "auditor," or "controller," is that of financial control and audit. Now, unless this branch of the service that you have in mind here is expanded in its conception to involve an audit of service as well as of expenditure, to my mind it will not go far toward solving this particular problem.

Mr. GOOD. We are breaking down some traditions by this legislation, and if there is any tradition in the service that needs to be broken down it is the tradition of keeping men in the service where the Government has no need of their services.

Mr. BURKS. However, that is not primarily a matter of audit as generally understood.

Mr. GOOD. That is true; but if the function of the auditor general or the controller general, or whatever he is called, is not only to report as to conditions of liability and correct to function in a broad way to inform service, no matter where it may be, it is a tradition; but my only idea was that that "controller and auditor," or "controller and auditor," or whatever you call him, that very title that it is a pure matter of financial control and audit. Some other title which would make it clear that it is a pure matter of financial control and audit.

Mr. GOOD. Is not that fact rather small? It matters little what we call an officer if we give him, and sooner or later the public is bound to recognize that?

Mr. BURKS. Undoubtedly, an office makes it.

**Mr. GOOD.** It is impossible to express in the title of an official all of the duties of that official, just as impossible as it is to express in the title of a bill all the provisions of the proposed law.

**Mr. BURKS.** Although I have read it several times, I do not recall for the moment whether, in the Good bill, the functions, other than those of audit, are emphasized or not in connection with that proposal. There are a number of bills pending, and I have not it clearly in mind for the moment.

**Mr. GOOD.** We have not discussed the provisions in any particular bill, but have rather tried to broaden the discussion to the principle that should control legislation. While the principle is not recognized in any bill, we will try to see that it is recognized in the legislation reported out of the committee. That has been the attitude.

**Mr. BURKS.** If I may be excused, I will make one suggestion that I have not yet thought out fully, but which seems to me to be worth while urging, that is the possibility of a committee of each House of Congress, the function of which might be that of providing some formal, officially recognized criticism of administration measures. It is hardly conceivable that such a function should be fully performed by the present committee system, because at present the eight or nine committees to which appropriation measures are referred necessarily hold themselves pretty strictly to the particular measure involved, and do not consider it in its general perspective.

**Mr. GOOD.** With such a committee, the majority of members of the committee ought to be composed of members of the minority party, so far as the administration is concerned.

**Mr. BURKS.** Yes, sir. I was thinking that whatever committee system you decided to retain or adopt in connection with the measure you finally decided to pass, if the final reports of the individual committees could be referred as a whole to a committee on budget—whatever the title may be—and if the function of challenging the proposals of the administration could be centered in this committee, you would have many of the advantages of the British system, grafted on to our congressional system, which of course fundamentally is a very different one.

**Mr. GOOD.** Following out that idea, all of the expenditures of committees might be consolidated into one committee of criticism, and the majority of the committee be composed of members of the party opposed to that representing the executive.

**Mr. BURKS.** That would make it possible, then, for this central committee, having such function, to get the perspective involved in the consideration of all the measures, taken as a whole, and the fight on the floor of the House, if there were a fight, could be led by that committee, representing, as you suggest, the opposition party; the party opposed to the administration.

It seems to me that one of the essential weaknesses in our present system is the lack of provision for just this sort of criticism of the administration measures. In the first place, there is no administration measure as a whole, and in the second place we have not any provision for considering it fully.



TUESDAY, SEPTEMBER 30, 1919.

**STATEMENT OF HON. HENRY L. STIMSON.**

(NOTE—The statements made herein by Mr. Stimson were not revised by him.)

The CHAIRMAN. Mr. Stimson, there have been referred to this committee quite a number of bills and resolutions with regard to some reform in our method of making estimates and appropriations. The committee, however, is anxious to enlarge the scope of the hearings and give the gentlemen who appear before us full opportunity to explain the principles upon which sound legislation of this character may be based. Will you state for the information of the committee what opportunities you have had to study the question of Government finance and of budget making?

Mr. STIMSON. Mr. Chairman, I am not in any sense a student of finance. The problem was thrust upon me for the first time and brought to my attention when I was placed at the head of one of the executive departments in President Taft's Cabinet—the War Department. That happened to be at a time when Mr. Taft himself was engaged in an effort to coordinate the work and the estimates of the different departments, and under the powers granted him by the so-called Smith amendment, the one passed, I think, in 1909, to coordinate the affairs of the departments.

The War Department at that time was, I believe, the largest spending department of the Government, and the President's Commission on Economy and Efficiency was very active in our affairs and we were endeavoring to support their efforts to standardize and coordinate the work of the seven different bureaus, as I remember the number, in the War Department, as I felt very strongly the necessity of it. I saw that work carried out through those two years. It made such a great impression upon my mind of the necessity not only in the interest of national economy, but in the interest of more responsible government—it made such an impression upon my mind that I kept up my work and my researches in the intervals of my law practice afterwards. Three years later I was elected one of the delegates at large to our constitutional convention in New York. In that convention I was made chairman of the committee on State finance, revenues, and expenditures. My committee had the work of framing a budget plan which went into that proposed constitution. That budget plank, although it was rejected by the people of the State of New York as a part of the constitution which was unfortunately submitted to the people of our State as a whole and not the different elements, that budget plank was afterwards substantially incorporated into the Maryland plank the following year and it was submitted to the people of Maryland and became a part of their constitution. I think it has been to a greater or less extent the subject of study in different States. That is substantially the extent of my experience.

The CHAIRMAN. We should be very glad now to have a statement from you with regard to what changes you think are advisable in the rules, or rather the principles that should govern in the making of a budget.

Mr. STIMSON. Mr. Chairman, I naturally have not been thinking very much about a budget for the last two or three years since I have been in the war, but on my way down on the train this morning I was reading my old books and refreshing my memory. I have not had the advantage of seeing any of the bills before you except some one or two months ago. I understand, however, that you would rather have my general impressions rather than any statement in connection with a particular bill.

The CHAIRMAN. Yes; it seemed to the committee that we ought rather to study the principles and then find out how the views of men dovetail into the details that have been introduced.

Mr. STIMSON. In the first place the reasons which impressed upon my mind the tremendous general importance of the whole subject and some changes, were roughly these: When we were collecting the facts for our work in the convention I found that there had been a tremendous, though gradual, growth in the expenses of government. I found, for instance, that in our State, New York, the general run of expenses of the State had increased nearly 600 per cent in 30 years, during a time when the population had increased only about 80 per cent, and during a time when the property values had increased less than 300 per cent, including all the artificial increases of property values that came from inflated assessments. In other words, I found that in our own State the expenses of government were increasing a great deal more than six times as fast as the population and a great deal more than double the value of the property in the State. I found that that was true throughout the States and in the Federal Government. Of course, you have those figures and I suppose it is unnecessary to go at length into them. The same phenomenon we found generally throughout the country.

Mr. MADDEN. Was that due to the fact that the State and municipal and National Governments were entering into activities not theretofore indulged in?

Mr. STIMSON. I was going to say, Mr. Madden, that of course that was due largely to the very fact that as our Nation was getting more and more thickly settled and business was getting more and more complicated, the Government was being called upon for more and more activities and greater and greater expense. But that item, we must also realize, is a phenomenon that is going to go on, and inasmuch as we are going to have legitimate demands for greater and greater expenses, it makes it all the more important that we should cut out any possible wastage. It seems clear that there were great wastages.

Mr. MADDEN. I would like to get your idea, if I am not interrupting—

Mr. STIMSON (interposing). Not at all, sir; I am glad to have the questions.

Mr. MADDEN. As to whether or not the bulk of the increase in cost of government is due to taking on of new activities or whether a large proportion of it is due to extravagance and waste?

Mr. STIMSON. Of course, any answer to that question is necessarily a mere estimate and largely a guess, but I should say that my impression is that the larger part was legitimate expenses, by far the larger part. My impression was also that a very considerable portion, a very large part, was due to a lack of the focussing of responsibility in expenditures of Government and in the appropriations for those

expenses. The thing that impressed itself upon me more than anything else was that in common public matters we were not following the principles which we were in our private business. When you get into private business, and you want to get something done, the first principle is to focus the responsibility for doing it upon some one whom you know, and if he does not do it you are able to hold him responsible and providing him with the proper machinery and power to do it, while in our public affairs, instead of following that principle of efficiency, we would rather go upon the principle of fear. That is, we were building our structure for fear that somebody would go wrong rather than giving somebody the power to do right, not noticing that the surest way to hold a man when he goes wrong is to know who did it, and not have the responsibility divided. In the State of New York, for instance, the situation of the executive was very much worse than it is in the Federal Government. Our executive department there is divided into, I think, seven executive officers and they are constantly batting the responsibility back and forth when anything goes wrong. With the Federal Government, of course, the President has ample power over the executive departments. The thing that he does not have, and I am only speaking my own opinion, is the machinery necessary to make useful that power. That was the point that I was going to speak on first, if that meets the views of the chairman.

The CHAIRMAN. Proceed.

Mr. STIMSON. To make clear what I should say otherwise, it seems to me that the normal function of budget making, speaking of that in its generic sense, can be divided into three steps. First, the formulation of a working program by the people who do the work and spend the money; that is in the case of paying it out. Normally that must come from that branch of the Government which has charge of the doing of the work and of the paying out of the money physically, and I do not mean paying in the sense of appropriating. It must therefore, be done by the Executive, just as in the case of any large corporation. The president of such a corporation would not hold his position very long if, when he met his directors, he did not have a clear and distinct work program for the next year which he would ask them to authorize.

Now, I am just enumerating the steps first. The second step would be the function of the purse-controlling power, the power which controls the purse of the Government in authorizing the work after it has been proposed, which is, of course, the legislative branch. It must be done by that branch.

The third step, the work of—I dislike to use the word, because the word has been used in such different senses, but I call it the work of audit, the work of investigation to see whether that authority has been properly carried out by the Executive, with a view to future budgets, or with a view to punishing the Executive if it has not been carried out properly. That third function is the function of the legislature, of Congress, and it involves the use of machinery to help it.

Now, taking these steps in their order, the first step, in regard to the formulation of the budget by the Executive, my observations on that point, so far as I saw them, were these: As I said, a sufficient agency in the President has undisputed power over every executive agency in

the Federal Government. It is unlike the situation in many of the States, but I do not think many people realize how lacking he is in the necessary machinery to make that control effective. I certainly should not have realized it except for the fact that it was rubbed under my nose during the two years that I was here. I understand there is a good deal of discussion, which I have read and heard, as to who should have the power and what machinery we should have for the purpose of having a budget formulated by the Executive in case you should decide that that is the place where it should be formulated. In the first place, as to whether it should be the President or some one else, in my mind and in the light of my experience, it can be nowhere else. In my opinion it would be wholly futile to try to give it to one Cabinet officer as the Cabinet is now constituted and let him try to coordinate the work of his colleagues. We have a historical example of that. I do not know whether it has been brought to your committee, but I believe that when John Sherman was Secretary of the Treasury he found that the revenues for a certain year were going to be some million dollars short of what the estimates were, and he undertook to try to coordinate and revise the estimates, and it raised such a hornet's nest among his colleagues that he very promptly gave up the attempt.

I know perfectly well from what I saw of the workings of the President's Commission on Efficiency and Economy that if it were not for the power of the President behind that commission going through the whole process, you would not get anywhere. Now, I do not want to tell tales out of school, but I remember very vividly the feeling of semiresentment that the average executive head of the department had when these fellows came burrowing around, as he thought, asking questions and trying to help him in the management of his department. Of course, that is something which will pass over with practice and when it becomes a recognized thing. But the situation six years ago was that there was a perfectly enormous amount of work to be done in the departments before you ever had even the foundation for such a uniform set of estimates that they can be coordinated properly without doing injustice to somebody. You can not build up a language until you have an alphabet. You can not standardize material unless you have an accurate yardstick. You can not coordinate estimates until you have the material to show the relative importance, until you know that the methods of estimates and of work are correct, and that is not true now. I remember when I was chairman of the Finance Committee and we were formulating our budget in New York, we also had the privilege of having Mr. Taft come before us, and we also had the privilege of having Mr. Fitzgerald come before us, and we got the views of those two gentlemen on the question. It was very interesting to see their viewpoints and how nearly they had come to having the same views and how the differences between them were only differences in each one's experience, because one was better than the other, so to speak, in his own line of experience. As it seemed to me, Mr. Fitzgerald's mistakes, when he made them, were in matters in the executive department, and vice versa. Each one was familiar with his side of the performance.

Now, coming up on the train I got hold of Mr. Taft's statement and it was very interesting. I had forgotten the details of it but he

gave us a very interesting account of his difficulties in the preliminary work of forcing down the throats of his Cabinet the necessary standardization which was done by his commission. I will not read it to you here but it is very illuminating. It corroborated my recollections of it very strongly. It makes very clear the proposition that if you are going to put this power into the hands of the President and if he is to be the Executive, you have got to give him the necessary machinery to go through all these departments and get the work done, and then to serve as a vehicle for the power, to bring it to bear on his Cabinet to make them prune and coordinate their estimates. Every department head in the Government thinks that his bureau is the most important bureau under the Government and he makes his estimates accordingly, and it requires all the power of the President based upon all the intelligent information that he can get to bring that bureau chief's ideas into harmony with the other estimates. The reason the estimates that now go in are not worth a rap is because they are in just such a position and they come in with the rosy views of the bureau chief as to the importance of his bureau.

Mr. TINKHAM. What machinery would you propose?

Mr. STIMSON. I do not want to go into the details but I think it ought to be a presidential commission, or not a commission——

Mr. TINKHAM (interposing). A budget bureau.

Mr. STIMSON. Yes; a bureau, directly under the power of the President and limiting its functions only to the purpose of making his work effective. It must not interfere with anything else. It has no function of audit or anything like that. It is only to multiply the power of the President over his subordinates.

Mr. HAWLEY. How would the commission raise the question of reduction of estimates—with the head of a spending department?

Mr. STIMSON. I should say that normally this commission would raise the question to the President. In the course of time the commission ought to be able to raise the question without friction inside and probably correct it before it reached the President. But the purpose of the commission is to enable the President to get an intelligent idea as to whether the estimates of the department are swollen, and if so, which bureau is responsible. Then he can say to the Secretary of War, for instance, "Here, I know you defend your own bureau but I happen to know by comparison with other methods of work, under the Secretary of the Treasury and in the Navy Department, that it is not as economical as it can be." I found this situation in my department. The first thing that Dr. Cleveland's commission had to do was to recommend a lot of elementary reforms in the paper work of the department. I remember what a row that caused. For weeks I was hearing complaints from my bureau chiefs. I remember the Chief of Engineers came to me with tears running down his face and saying, "Why, this commission has recommended that our indorsements shall be on full-size paper." You remember how they used to come, Mr. Chairman, on little bits of paper like that, about that size [indicating]. He said, "This President's commission has recommended that hereafter we have got to make indorsements on full-size paper. Do you know, Mr. Secretary, that for a hundred years we have done it the other way. Why, we can not do it that way." I had to cool him down and say, "General, I have found



that it will save between 30 per cent and 40 per cent in stenography alone, not to turn back the machine three times instead of once." It went through and is now a part of the Army methods, and so far as I know the foundations of government are still secure. Then, another thing was that we standardized all the filing systems by introducing systems which have been approved in the large business concerns of the country, but which had never been thought of perhaps here.

I just point out those examples to show that we had to begin at the very bottom. Then when it came to the submission of the estimates I found this situation. Ordinarily theretofore the Secretary signed the estimates without really knowing anything more about them than that they had come from these bureaus, but after I had gotten into my head what Mr. Taft was trying to do and what a budget meant, that it meant a program and not a mere estimate, this is what I did. I found that I had, as I remember it, 11 different bureaus. I sent out an order to those bureaus that their estimates for that year must be arranged to give the order of importance, that is, in reference only to new work. Of course, there are certain estimates that go on from year to year, but all estimates for new work or new activities must be arranged in the order in which the chief of the bureau deemed them to be most important, and that they must be submitted to me in that way. Now, many new activities are subject to concern in two or more bureaus and therefore the order required that in case there was any disagreement or difference of opinion as to the relative importance of these new projects between two bureaus, that they must be submitted to a committee of the General Staff, which represents the department as a whole in its military views, and that they must decide in which order they thought it should be arranged, and in the case of a dispute there that I must decide.

I made it the function of the General Staff to take those 11 different estimates that came from the bureaus and arrange them into one departmental estimate with the coordination in their order of the different activities of the 11 bureaus in the order in which they thought most important, getting them all on one sheet. Then in case of dispute between two different bureaus and the General Staff, I decided it myself. When the performance had gotten through I found for the first time in the history of the department, I think, that I had all of the proposals for the department arranged in the order in which I, as the responsible head of the department, thought that they ought to come for treatment by Congress, that is, as a result of the War Department arranging its activities in the way we thought was the normal order. With that paper I visited the committees of Congress at the different hearings to which I was invited and put before them this consolidated view, so to speak, of the department's estimates. That produced some rather startling results. At that time the appropriations for the War Department were being made by six different committees of the House. I found that there was really a very astonishing amount of duplication and overlapping of functions, not in specific items, but in the kind of items. For instance, I found that ammunition for our field artillery was being appropriated for, I think, by two and possibly three different committees. Of course, that ought to be in one budget, naturally.

Mr. CAMPBELL. That is, the estimates were considered separately?

Mr. STIMSON. Yes; the appropriations were reported by two or three committees of the House.

The CHAIRMAN. The Committee on Military Affairs and the subcommittee on fortifications of this committee.

Mr. STIMSON. Yes; two committees anyway. I found that in Hawaii at the same post the military barracks were being built under the supervision of one committee and the hospital was being built under the supervision of another committee or subcommittee; that guns were being built by one committee or subcommittee and the emplacements by another committee or subcommittee, etc., I am speaking now from memory, but I have enumerated this in my papers and it will be easy for you to find it. These gentlemen when I came before them with this paper, were very frank to tell me that that was the first time they had ever seen the thing coordinated and it was the first time that some of these different committees had had brought to their attention the fact that these other similar and analogous items were given simultaneous consideration by another House committee.

Now, I diverged a little bit into the legislative side of the question but that work will give you an idea of what I have observed as to the capacity for such a commission or such a set of employees or officers in the departments.

Mr. CAMPBELL. Do you recall, Mr. Secretary, the result of your compilations, whether or not you were able to make reductions in the aggregate of the estimates made by the several bureaus?

Mr. STIMSON. Oh, yes; we made quite a good deal of reduction necessarily. You can not put your mind on it without finding chances for reduction. The effort lost a great deal of steam from the knowledge that in that case I was virtually beating the air. Congress had passed a joint resolution, I think it was, when it heard the President was formulating this budget, to the effect that he must not send the estimates in in that way but must send them in in the old way, and we all knew that these efforts would probably be disregarded when we got to the House.

Mr. CAMPBELL. What was the effect upon the appropriations? Were they increased or decreased?

Mr. STIMSON. Mr. Taft said he cut them down between \$50,000,000 and \$60,000,000.

Mr. TINKHAM. You mean all the appropriations?

Mr. STIMSON. All the appropriations that year.

Mr. CAMPBELL. I was speaking of those appropriations in your department at that time.

Mr. STIMSON. I can not speak of it as it was six years ago. But what I said to each one of his subordinates was "I do not care what you do down within that figure, because more than so much," naming a sum, and then I said "I will cut down my estimates and cut down my judgment."

Mr. MADDEN. Have you any idea whether the President reached the conclusion

Mr. STIMSON. I should think he arrived at it partly on the preliminary recommendations of his commission and partly on the revenues for that year which he wanted to coordinate with the appropriations; that is, he knew how much revenue he was going to have and then he knew from the report of his commission about where he could make the deepest cuts.

Mr. TEMPLE. Do you remember the date when the total result of the budget estimates were submitted to Congress?

Mr. STIMSON. His budget was submitted in the autumn of 1912; that is, his most complete budget. He was at work at it for two years, but the one that embodied the longest results was submitted to the Congress that met in December, 1912. I can not give it to you any more specifically than that.

Mr. TEMPLE. Some one said the other day here that the complete estimates were submitted in February, 1913.

Mr. STIMSON. That may be. It may have been delayed afterwards, but it was submitted to that Congress.

Mr. TEMPLE. According to the statement the other day it was only six days before Congress came to an end. I think the statement was made that it was submitted on February 27.

Mr. STIMSON. I think I recollect that there was some delay after the preliminary work had been done in getting the estimates framed into the form in which the President wanted them.

Mr. TEMPLE. So that they were not submitted until after all the appropriation bills had been passed?

Mr. STIMSON. My recollection is that he submitted first the interlocutory results, so to speak, the tentative results, as quickly as he could get them, and then, it being perfectly well known that from this joint resolution Congress was not going to act on them, he took his time in submitting his budget.

Mr. TEMPLE. More as an example than as a practical work before that Congress?

Mr. STIMSON. Yes. It is my judgment that those are the facts, but it is subject to six years lack of memory. He started out to cut down the estimates and he did cut them down, but when he came to making a budget in this final form, I think he took his time about it.

The CHAIRMAN. Mr. Stimson, I think some of the divisions of the estimates by appropriating committees resulted in abuses that have grown up. For example, in a number of years since I have been in Congress the subcommittees on the legislative, executive, and judicial appropriation bill considers the salaries of all employees here in Washington with the exception of those in the Agricultural Department, the Post Office Department, and in the Interstate Commerce Commission. That was found necessary, because it was ascertained that certain classes of employees were doing the same kind of work and receiving different rates of compensation in the different bureaus, and that result had grown up because different committees passed upon those salaries. At the present time I know the committee has been besieged with requests to raise salaries in certain departments because similar employees in the Agricultural Department were receiving much more compensation. A chemist of a given amount of training in the Agricultural Department oftentimes is receiving \$400 or \$500 a year more than chemists of a like training and experience

in some of the other departments. So I think it was the result of the sincere effort on the part of Congress many years ago to bring into one committee consideration of all Government employees so far as possible of a given kind.

Mr. STIMSON. I can very readily believe it, sir. The first thing that I should think would have to be done, and I know that it is the first thing that President Taft's commission had to do, would be to make a plan of the executive departments and publish it. It was not actually printed in that case, but it was made up to find out just what the executive government consisted of, what the different classes in the different departments were doing, and what they were getting, which had never been done before. We found the same problem in New York State. What we had to do—fortunately it was done largely for us before we started to work—was to get a plan of what the government of New York State consisted of, what the people were getting, and what their work was, and it made a volume about that thick [indicating]. Now, just bringing all those things together showed a lot of enlightening facts. I noticed this morning in reading the statement of Mr. Taft, he said that the first thing that the Economy and Efficiency Commission did, they made a most comprehensive statement, carrying the activities of the Government down to the last bureau, and then down to the last man, so that if you consult it you can find out just what his function is in the Government; that Congress never printed that, and it is there and some day it will be useful.

Mr. BYRNS. My recollection was that it was printed, but it was charged to the appropriation for the commission; that is, the expense of printing it was charged to the expenses of the commission.

Mr. STIMSON. I do not know, sir. That was one of Mr. Taft's troubles that I fortunately did not have. But it is very clear to me that that is the first job that would have to be done to get a birdseye view of the activities of the departments. May I just say in that connection that the thing which I think should be avoided is any idea that the existence of such a commission to help the President would ultimately interfere with the same work by Congress? On the contrary, I think it would help it. The two ought to work together. The purpose of the existence of such a commission, as I see it, is merely to help the President bring the matter into such shape that the Congress can understand it and get the same bird's-eye view when they come to perform their functions.

The CHAIRMAN. At the same time in such a way that the President can indorse it and give it his approval?

Mr. STIMSON. It has got to be in such a state that he will be able to stand for it before the country, and he is the only man who can do that.

The CHAIRMAN. Now, in this commission, organ, or service, or whatever you call it, you think the chief man in that organization ought to be a man upon whom the President could rely absolutely in all matters?

Mr. STIMSON. It must be his man.

The CHAIRMAN. It must be his man?

Mr. STIMSON. Yes.

The CHAIRMAN. You would not have that office held by a man who would continue from one administration to another, so that he would be forced to take a commission he did not want at all? --

Mr. STIMSON. I do not think it necessarily follows. I do not think it should be his man in a political sense, but I am inclined to think from my experience in public life that I would be very glad to take over an intelligent good man who knows thoroughly the work that he is doing in the department and run the risk of his becoming my man afterwards.

The CHAIRMAN. Now, he would be a man of great power, would he not?

Mr. STIMSON. I should think that he certainly ought not to be outside of the power of the President. Ordinarily, I would expect the President to avail himself of the experience which this man would get in the knowledge of the departments.

The CHAIRMAN. Suppose a President believed that all the industries should be socialized, that there should be a tendency to paternalism in every possible way, and that the Government ought to be an institution that would function in affairs and enterprises that are now carried on by private individuals and companies. Suppose he is succeeded by a man who believes in absolutely a contrary policy, but his predecessor had appointed this commission and this commission is composed of men of the same belief and thought in regard to the President who appointed them. It seems to me that they might, and naturally would, present a program for the President to approve that he could not approve without stultifying himself, and therefore he would have presented to him, after months of effort and a great deal of expense, a program that he would submit half-heartedly to Congress and would not care whether it went through or not.

Mr. STIMSON. I do not know particularly what issue you have in mind as to the different kinds of officers, but it seems to me that that view would be rather magnifying the power and function of this Presidential commission. I do not think it would be as important in determining the policies as your suggestion would indicate. If you assume a new President would come in and socialize the industries, the steps in that direction would be taken through his Cabinet, rather than through this commission. The man, as I look at it, should be a man who is expert in mechanical work, doing the research work and not forming the policies.

The CHAIRMAN. Of course, the persons who are doing the research work ought to be men who have become experts in that line of investigation and work, but after all, the man upon whom the President would rely to formulate what the experts have gathered together, it seems to me, ought to be a man of the President's own choosing and with whom he is in accord.

Mr. STIMSON. I think that is true. My impression has always been that there is no civil officer in the Executive Offices that the President can not remove as a matter of legal power, and I think that power is ample to cover such cases as you mention.

Mr. MADDEN. After all, if such an organization as you have indicated should be established for the purpose of assembling the facts upon which the President is to reach a conclusion, these facts will be assembled by the organization along the lines suggested by the President in the first instance?

Mr. STIMSON. Absolutely.

Mr. MADDEN. So that, as a matter of fact, it would not make any difference what the personality of the organization might be, they



would be simply the instrumentality for obtaining the information indicated by the President.

Mr. STIMSON. That is my point. The President ought to have the power to get an intelligent man. In other words, he ought not to be cramped. It might happen that he would find a left over that he was not satisfied with and he would want to get a new man, but in the normal working of this machinery I should not expect to see it go very deep into policies except so far as those policies were reflected in the efficiency or inefficiency of the various departments.

Mr. MADDEN. Except in so far as the President might have a policy upon which he wanted information from this bureau?

Mr. STIMSON. I would like to emphasize this particular distinction. This commission would have nothing to do with the investigations made for the benefit of Congress in the third step of the budget program which I spoke of at the opening. That is, Congress must have its own instrument within its control to find out whether the appropriations which they have made and authorized the Executive to expend are properly carried out, and the commission that I am speaking of has no such power.

Mr. HAWLEY. Would it not be useful for Congress to receive information from that bureau or commission? In other words, should not there be something connected with Congress to give Congress information?

Mr. STIMSON. Certainly, the commission should be in touch with Congress, but Congress should also have its own agency with a single mind devoted to its own purposes.

Mr. HAWLEY. Like the controller and auditor general of the British Parliament?

Mr. STIMSON. Yes. That is all I can think of to say about the first step of the program as I have seen it, which is the one that I have come in closest personal contact with.

Mr. GARNER. You would not have this commission make any suggestions to the President in reference to the policy of discontinuing a bureau, for instance, that had become unnecessary to the public service?

Mr. STIMSON. I should leave that entirely with the President. If he could not prevent his own commissioners from making officious recommendations to him that he did not want, he would be a very different President from any I have ever come in contact with.

Mr. GARNER. But how is the President to know whether a bureau, say in the Department of Agriculture, has fulfilled its mission and ought to be discontinued unless some one is to give him that information?

Mr. STIMSON. They can certainly have the right and duty to present him with facts, but I was not clear as to what you meant. The great thing that will make the President decide that a bureau is inefficient and ought to be discontinued will be by comparing its work with other bureaus on the facts. Perhaps I misunderstood you, sir. I thought you wanted to ask what is there to prevent such a commissioner from butting in and telling the President that the Secretary of the Navy, for instance, was handling a very inefficient bureau, etc.

Mr. GARNER. No. Here is what I had in view. In the course of their duties they investigate the Agricultural Department. They run across a bureau that has been in existence for 15 years doing certain

work. In their judgment they conclude that that work is not yielding the benefit to the country that the money was appropriated for. Now, it seems to me that it ought to be the duty of this commission to report that fact to the President. There is an opportunity for this commission and the Cabinet members to have a conflict. A Cabinet member might say that that bureau was efficient and it ought to be continued. There is where the President decides the question of policy. Under the present conditions he can not do that. He must take the suggestions of the Secretary of Agriculture. Therefore necessarily, to a certain degree, they decide upon the policy in the department; at least they do not decide on the policy, but they decide to recommend to the President the efficiency of the various bureaus that they go through.

Mr. STIMSON. It is pretty hard to define exactly the operation of the problem except that those things work out in the course of the operations of the department in such a way that there is generally an evolution, provided there is machinery by which the result can be obtained. Of course, what will usually produce a result will be that the President hears criticism from the outside about such and such a bureau. He hears that such and such a bureau is not worth its salt or that such and such a bureau is traveling all over the country wasting the people's money. Then he sets this commission to find out what the expenses of that bureau are. He talks it over with the Cabinet officer and gradually in the course of the several steps he finds out whether or not there is any truth in these charges that come to his ears.

Mr. GARNER. Really, Mr. Secretary, if we had members of the Cabinet who were anxious to practice economy and to cut out every inefficiency in their departments, they could bring about a great deal of economy in their departments.

Mr. STIMSON. That brings me to the point I was going to discuss provided you give those Cabinet officers the proper stimulus to goad them into action, and that is publicity.

Mr. GARNER. But they ought not to have anybody to prod them, as we say in Texas. They ought to be men who are anxious to perform the functions of their offices, and one of their functions is to reduce expenditures to the last cent, so far as they do not injure the efficiency of the various bureaus in their departments. Now, is it not a fact that the large amount of criticism that has been hurled against Congress really could have been with equal force offered concerning the various Cabinet ministers of the various administrations for the last 20 or 25 years?

Mr. STIMSON. I think decidedly, yes. I think an investigation into both the estimates and the appropriations will show much the same result. In all that I say I do not think it is of any service to criticize individuals in a thing of this kind. When the system is normally producing poor results, in my opinion, it is not the time to say that we ought to have better men. You will usually find that there is some part of the organization that is primarily responsible for the lack of system. I have never been in sympathy with the criticism that is so often made that you ought to elect better men to public office, or you ought to elect better men to Congress, or you ought to elect a better man to the Presidency, because the people will always elect the same kind of men. The difficulty is whether

those men are working under a handicap of a system which is penalizing efficiency and good work and tending to overload them with a lot of trivialities that they ought not to attend to, or whether it is a question of putting too much on the post office that they want to get for their district or a question of saving money.

Mr. GARNER. Speaking of the legislative and the executive, each one of them is primarily responsible to the people for the appropriations made by Congress. Is it not a fact, therefore, that so far as the records show, the Congress has been the more economical body?

Mr. STIMSON. I think this is the fact, that normally Congress has cut down the estimates that have come in from the Executive very largely every year. But having said that, I want to go on to say that the fault has been not that you have inefficient men in the bureau or in the office but that under our system, which was faulty in itself, there was no inducement to submit proper estimates because they knew that by our custom Congress would get to work and make its own estimates. Under those circumstances you can not expect them to settle down and do the work necessary to submit a responsible program. I think that under the other system, if you had a program that would carry the feeling that the responsibility was on them, and particularly making them feel that they would have to defend their estimates in public, you would have a very different state of affairs.

Mr. GARNER. How are you going to make them defend their estimates in public?

Mr. STIMSON. I am going to come to that.

Mr. KITCHIN. Mr. Secretary, in your experience as Secretary of War in dealing with Congress with respect to the estimates, was the effort of Congress to reduce or increase appropriations with respect to the estimates?

Mr. STIMSON. I have just said to Mr. Garner that in the normal course, as I have seen it, every year the estimates are sent in at a higher rate than the House Committee on Appropriations or the House subsequently passes it. But while that is true of the aggregate it is not true of individual cases. I have known many cases where a bureau has been turned down by the chief of the bureau and some subordinate would run around to a friend that he had over here at the Capitol and get his appropriation put back against the wishes of his chief.

Mr. KITCHIN. That would not occur one time in a thousand. Does not the record show that it would not occur once in a thousand?

Mr. STIMSON. What I mean, sir, is this: That the main trouble has been that the committees, from the situation in the past, normally felt that they would get their information separately by calling the subordinates, and when they call the Secretary they generally call him to make a little speech at the end of the hearings after they have done their work.

Mr. KITCHIN. What about the fact that the Cabinet officers do not know anything about the estimates and leave these matters to their subordinates?

Mr. STIMSON. That is the sum total of a wrong system.

Mr. KITCHIN. I agree with you that we should have a better system. |

Mr. STIMSON. I am trying to suggest, or I will before I get through, ways through which that could be accomplished.

Mr. KITCHIN. Mr. Secretary, there have been so many attempts to discredit Congress by numerous writers that we would like to have the result of your experience in connection with estimates by the departments and the appropriations by Congress in accordance with those estimates.

Mr. STIMSON. I was just going to take up my observations of the second step, which will cover just what you are asking for.

Mr. KITCHIN. We felt that men like you who had experience with these appropriations committees were better able to judge about what Congress had been doing in regard to appropriations than these writers who never had any experience with appropriations.

Mr. STIMSON. I hope I made it clear in my answer a moment ago that I think it would be a wholly wrong method to indulge in personal recrimination as to either branch of the Government. If the fault was the fault of persons or personalities, there would be no use for you gentlemen to consider it here. It would be a matter for the people of the United States.

Mr. KITCHIN. I think we all agree that it is the system that ought to be changed.

Mr. STIMSON. We ought to find out whether there are some faults in our system which put a penalty on economy and effective work, and if there are, to make suggestions which we think will obviate that condition. Certainly I should have no desire to make any criticism of either branch of the Government as compared with the other. I think both of them are composed of the same kind of Americans, and if either one of them worked less effectively than the other, it is not the fault of the men who are in it.

Mr. TINKHAM. You think a budget system is highly necessary?

Mr. STIMSON. I do. I think the system that you are outlining going through here, so far as my experience will go, and I speak with great hesitation with respect of legislative matters in the presence of your greater experience, is going to better the conditions which we have been discussing.

Mr. MADDEN. I would like to follow up a suggestion you made a moment ago. You said you would make the men at the heads of bureaus and the heads of departments more inclined to practice economy by being compelled to defend their estimates before the public.

Mr. STIMSON. Yes.

Mr. MADDEN. Now, I want to follow that up by asking this question. First, I will make a statement. My understanding is that to-day almost every bureau, at any rate every department, has a publication of its own printed at Government expense for the purpose of exploiting the efficiency of the bureau or the department——

Mr. STIMSON (interposing). I do not mean that.

Mr. MADDEN. No; I know you do mean that. [Continuing] which in a sense makes them immune from the necessity of defending their lack of economy before the public, because they have already stated their case to the public from the other side and at the Government expense. Do you think that the policy of maintaining publications for that purpose ought to be eliminated as one of the means by which we can institute these economies that you have suggested?

Mr. STIMSON. Well, I had not thought of that one way or the other. I should think that was rather a small item. I do not know to what extent that is done.

Mr. MADDEN. I think it is a large item.

Mr. GARNER. It is the practice in nearly every bureau of the departments of the Government.

Mr. STIMSON. I know it was not the practice in the War Department when I was there.

Mr. MADDEN. I think it has a tendency to destroy the dependency of the men and the head of these bureaus upon public opinion because they make their own opinion. I wanted to ask you whether it would be a good idea to discontinue such practices.

Mr. STIMSON. If you substitute a system of real publicity you could get both sides at the same time. But I can not speak very much about that without specific knowledge. We had no publicity bureau that I ever heard of when I was in the department.

Mr. MADDEN. They are in every bureau now.

Mr. TINKHAM. Would not a detail of that character be apt to be taken up by the director of the budget or the commission that you speak of and the policy recommended to the President adopted? Would not that be one of the things that would be very likely to be benefited?

Mr. STIMSON. What is going to happen is this: The main fault that I see in our system in that respect is that you have no forum where one side puts up a program and defends it and another side criticizes that program and attacks it. You can get no publicity before the people of the United States unless you have some forum like that. The budget debates which takes place on the floor of the legislative body, after all those issues have been ironed out, are not budget debates at all. They are perfunctory discussions. The budget debate, as you and I know, that takes place in the crowded hours of the session where one side gets up and has one hour to defend the budget and the other side has one hour to attack it, is not a real budget debate.

Mr. HAWLEY. But under the five-minute rule the appropriations are more seriously criticized.

Mr. STIMSON. That is as to the items and not as to the policies. Now, I see no way in which you can get a responsibility into the head of the department and the Executive unless in the first place you let them feel that they are framing a program which means something they have got to defend, and that there has got to be a real attacking side on the other side and they must defend the program.

Mr. GARNER. I realize that that is a most important matter. I would like to get some kind of system in this country, Mr. Secretary in which, if the Congress makes a larger appropriation than the Executive asks for, it may be pilloried before the people, and the man who is running for reelection ought to have an opponent who will draw attention to the fact that he gave more money than the Executive requested. On the contrary, if the Executive requested four and a half billion dollars and Congress cut down that estimate by one-half a billion or one billion, I would like to see the issue reach each district on the criticism of the Executive.

Mr. STIMSON. So would I.



Mr. GARNER. I am a Democrat and I presume you are still a Republican. My President has made this estimate, we will say, and Congress has cut it down. It is a little unreasonable for me to go back on my district and criticize the administration, and yet I would be criticized—

The CHAIRMAN (interposing). In your State you would not be criticized in a general election.

Mr. GARNER. I am speaking now of the closer districts. Suppose we have a Republican President and I am a candidate from the fifteenth district of Texas. A man is running against me in the primary and the President has asked for more money than Congress gave. Now, I have got to defend the President whether I am a Republican or Democrat. Now, under the system that the Secretary and other gentlemen have suggested I believe that you could get public attention focused on the fact that the President has said, "This is what I need. I need no more. I need all of this to run the Government." Then when it comes to Congress and Mr. Good and the others undertake to examine the budget, and also the chiefs of bureaus, because they ought to have it out before them, then the question before Congress is, "Have we exceeded what the Executive wanted?" That will be a matter for public discussion.

Mr. STIMSON. In the first place, there are two things in view. First, the control of the executive departments in their normal action; that is, the control of their extravagant habits, the producing of a sense of responsibility in them even under circumstances where it is not acute enough to make up an issue. Second, having it out in such shape that the people of the United States will understand it when it gets big enough to be a party issue and more or less of a controversy. Now, in both cases I believe that the only way you can accomplish it and get a sense of responsibility in the members of the Cabinet, the only way in which you can make the people of the United States understand what is going on is to have it become the custom, and, if necessary, to pillory the members of the Cabinet before the House in public. Now, basing it on what I know from experience at the time, I think that if Congress at the time that President Taft was working on his budget, instead of opposing him—I am not criticizing Congress for doing so, but just making the suggestion—if they had said, "All right, send in your budget and we will propose to call the Secretary of War and find out what he has to say about it," you would have produced revolutionary changes in the kind of men you would have in the Cabinet of the United States and you would produce revolutionary changes in the kind of budgets and estimates that those members of the Cabinet would send in thereafter. On the other hand, there have been times when I would have given my whole official salary for the privilege in public on the floor of the House of having 10 minutes to explain a matter which would be misrepresented on the floor.

Mr. GARNER. Then your system and the system which has been suggested here would now enable the Congress to point the finger at the President and under the conditions existing in the House of Representatives now you would never hear the President referred to as asking for this appropriation or that appropriation, but under your system the President transmits the budget to Congress as his

recommendations. Then a Member of Congress can get on the floor and criticize the President for recommending certain items.

Mr. STIMSON. Surely. If he can not defend it, the people of the United States will find it out, and if he can defend it, he is entitled to the credit for it. Now, I am perfectly well aware of the difficulties that surround these proposals and these changes. Please do not think that I am academic in that respect. I have the keenest sense of public life. I have been a candidate for public office more than once and I know what campaigns are, and I know what the difficulties surrounding a Member of Congress are, to a certain extent, although I have never been in Congress.

Mr. TINKHAM. You were a candidate for governor of New York?

Mr. STIMSON. I was a candidate for governor of New York in 1910.

Mr. GARNER. Mr. Secretary, just along the line of what you were saying in regard to being willing to give up your salary to receive the opportunity to defend certain attacks on the floor of the House, what do you say about the suggested policy of some gentlemen as to Cabinet members being permitted the privilege of speech on the floor of the House?

Mr. STIMSON. Under proper restrictions I believe in it, but I think Congress could be trusted to restrict it to matters upon which they could get information. I think one of the great difficulties of our system of government is the fact that each branch has lost the machinery of working coordinately with the other. I do not mean in any way by obliterating the distinction between them. Quite the contrary. I think that one of the faults is that we have not developed the machinery necessary for the executive to work coordinately with the legislative. I think one of the main difficulties has been the disuse of the interchange on the floor and in public of the views of both sides. Now, Alexander Hamilton used to come into Congress when he was Secretary of the Treasury and defend his views there but it has fallen into disuse now. I think the law is still on the statute books which gives the Secretary the right to present his estimates orally. It has been disused so long that it is practically obsolete. I think that was covered by the statute of 1792 or 1793. But remember that two of the strongest committees, one of the Senate and one of the House, which have considered that subject have unanimously recommended that procedure. The Pendleton committee of the Senate in 1883 and a House committee in 1864 strongly recommended that procedure and even went so far as to frame rules to govern the procedure in such cases, so it is no hot-air suggestion.

Mr. GARNER. Certainly not, and it is not too late yet to adopt a plan of that kind.

Mr. STIMSON. Oh, no.

Mr. GARNER. It has been almost a century, I think, since the President of the United States addressed the House in person, and I think probably the Secretary of the Treasury could come and do the same thing now.

Mr. STIMSON. I hope the precedent set by President Wilson will be followed in a normal routine way in getting routine matters presented to the public. I think that is one of the cardinal needs.

Mr. GARNER. Mr. Secretary, if it is not too much trouble, will you refer to the statute under which Hamilton came on the floor of the House and insert that statute in the record?

Mr. STIMSON. I will look it up. I think it was passed in 1792 or 1793.

The CHAIRMAN. Mr. Stimson, I did not have the privilege of serving on the Committee on Appropriations during President Taft's administration, but for the first year or two thereafter it was the custom of the Members of the Cabinet to come before the Committee on Appropriations to explain their estimates. That practice has fallen entirely into disuse, I think, largely because they demonstrated that they did not have any knowledge about what they were talking. It was a surprise to the members of the committee, that, with one or two exceptions, the Cabinet Members who appeared before the Committee on Appropriations to explain their estimates did not know anything about them and had to rely altogether on the bureau chiefs or secretaries who sat beside them, and asked them to make answer to the questions. It appears in the hearings very often as the answer of the secretary when it was not his answer at all. If that custom should return, I think, as Mr. Sherley explained this morning, it would result only in exploding some false ideas in regard to public greatness.

Mr. STIMSON. I think that situation is undoubtedly true and will continue so long as the estimates which go in from the different departments do not represent a program but are merely estimates.

The CHAIRMAN. I agree with you as to that.

Mr. STIMSON. I told you a little while ago of my effort to make a War Department budget. The year in which I did that I knew something about my estimates and I came here to one of the committees and I had reasons to give them. I did not have to turn to Gen. Crozier or Gen. Aleshire and ask them if that was so, because I had previously gone over the estimates to make up my own mind on the critical points. That will be the normal result when the budget sent in by the Executive is a budget and not a mere estimate prepared by clerks, but just so long as you leave the present system where the budget is merely an estimate, that estimate will be sent in by a clerk and the Secretary will not know anything about it because there will be no inducement for him to learn about it. He will not have to defend it, but the minute you make it the program of his chief, he will have to know about it because the honor of the President will force him to defend it, and particularly if he has to defend that honor in public he will surely have to know what those estimates are. He will have to cut out a lot of other work perhaps, but he will have to know that budget.

Mr. MADDEN. Your theory is that the issue will be joined between the attitude of the executive and legislative, and that the legislative will take the position that it thinks proper on the floor, that you would have to be ready to meet the issue when it arose.

Mr. STIMSON. Precisely, and Mr. Madden, you see how far that goes in every direction. Just take the different situations that come up. The rule of human life is that nobody can adequately criticize his own work. There has got to be somebody else to do that. Therefore if the same body prepares the appropriations and afterwards debates them, you will get nowhere, you will get no real issue, but if one man prepared the estimates, and it ought to be the spending power, the Executive, if he prepares them and the other body has nothing to do with it except to find out how high they are and how low they ought

to be and has not any pride of authorship in it itself or any interest in any particular district that will not stand the scrutiny of a public debate, you will have a vigorous, constant, and systematic pruning down of estimates. Now, I know that after the cautions I have given, you will not take me as criticizing more than a system, but it seems to me you have got to get a state of affairs where an honest hard-working Member of Congress can get glory out of cutting down instead of holding up. I will give you a concrete example. I sometimes like to take historical examples. Take the different systems that exist in Great Britain to-day. Lloyd-George, if he had been a Member of our Congress, would have gotten his power largely and his success, and would have had to get it, from what he could have done for the district of Carnarvon. He would not have had any opportunity to pull himself up by criticism of a budget debate as he actually did. We have got to get some opportunity into our legislative halls where a man can perpetuate his power in his district by protecting the Treasury rather than by pulling things out of it. I think that is the real point that we have got to aim for in the establishment of a new system. Now, to go back to the line that I was on, it seems to me there were two things on the legislative side that we have to look out for. One was to get a situation that no longer violated the rule of a man criticizing his own work; that is, to keep the legislative function one of closing the purse strings rather than opening them, and, second, to bring in the element of publicity.

Mr. MADDEN. Would you cut out the right of Members on the floor to offer amendments for increase of estimates?

Mr. STIMSON. Now, when you come to methods I always go to history, as far as I can, to see what other people have done who have been face to face with the same evils. Historically the line which legislative bodies are taking in meeting the same difficulty, which is world wide, is in the direction of restricting or taking away the function of initiating items of appropriation. The first time that was done was in 1711 in the old rule of the House of Commons that spread to all the British colonies and is absolute. You know our Confederacy adopted a rule which is rather interesting. If it has not already been brought to your attention, Mr. Chairman, I will read it into the record. Article 1, section 9, of the constitution of the Southern Confederacy reads as follows:

Congress is forbidden to appropriate money from the Treasury except by a vote of two thirds of both houses unless it be asked by the head of a department and submitted by the President or be asked for the payment of its own expenses or of claims against the Confederacy declared by a judicial tribunal to be just.

In other words, they did not remove the prescription absolutely, but they reduced it to a two-thirds vote.

In our cities and State legislatures I have been particularly interested in the fact that they started from a very backward American city government and our forms of self-government. In the last few years ago they began to study the English system. In the State it has resulted, I think, in the fact that, in New York, our second-class cities like New York City and Buffalo—

same restriction of the legislative body of the city. That is, usually the budget is formulated not by the mayor alone but by a board of estimates consisting of the mayor and a couple of other officials, but after it gets to the common council, the common council are empowered to reduce but not to raise items.

That was the feature of the constitution which we passed in 1915 and which in substance was adopted in Maryland. That is the provision in New York and in New Mexico; the legislature is forbidden to increase or add to the estimates by provisions that have been added since then by the States, and restrictions have been put on a number of other American bodies. I was interested to find out when I was on the constitutional convention, that in the town meetings in Connecticut the same restriction existed, going away back to former times. In other words, it seemed to me that all those restrictions were aimed to produce the situation which I spoke of, of making the legislative body a critic rather than an administrator.

Mr. MADDEN. Is there not some way by means of which you could restrict the boards of estimates to statements of the facts? For example, they are prone to overestimate the revenues, and then they appropriate up to the full amount of the estimate of the revenues, and spend to the limit of the appropriation, and thereby create deficits. Is there any way to prevent that? That is an important thing that has been overlooked, it seems to me.

Mr. STIMSON. I think the whole subject is in its infancy, but I know that the development which has taken place in the last 20 years in New York has been a very marked development in the direction of publicity of the action of the boards of estimates, with a view to just that point you speak of. They hold hearings now before the board of estimates, and they print their proceedings and when they act, they act upon financial papers of a thoroughness and a complexity which we never dreamed of 40 years ago.

Mr. MADDEN. And yet the expenses are constantly growing as compared with what they were 10 years ago.

Mr. STIMSON. They are; but all I can say is that if we had not had these restrictions we would all have been bankrupt. I think the expense represents that tremendous growth of governmental functions which you spoke of in the very beginning.

Mr. MADDEN. Yes.

Mr. GOOD. The experience in the House recently is that the estimates had not been increased on the floor of the House. My recollection is that during this session, while we have passed quite a number of appropriation bills, eight or nine of them, there has been practically no increase on the floor of the House.

Mr. STIMSON. Yes.

Mr. GOOD. No motion has prevailed. That is true, I think, in the past years. Of course, during the past two years we had so many appropriations that related to the war that I have not examined the records with regard to that, because it was apparent that money was needed for war purposes, and the chairman or the members of the committees would offer amendments, and there was no question about it, if it was thought that it might expedite matters.

Mr. STIMSON. Would you have that same self-restraint if the estimates came in the shape of a budget from the Executive?



Mr. GOOD. It seems to me you would have more of a restraint. With a budget that has to be studied, as you have outlined here, by the Executive before it comes to Congress, I think there is going to be on the part of the individual Member of Congress a restraining influence against offering an amendment and increasing the budget, unless there is an imperative need for it; except that some Member may want to offer an amendment to increase an appropriation because, perchance, it has some relation to his district. But that would not appeal to any of the Members of the House, and, of course, would not get anywhere so far as its liability of being passed was concerned; so that as I have looked at it at present there seems to be no need for that apprehension, and in the future, if we could get an executive budget for which the Executive is responsible, it is going to diminish the opportunity of a Member to put out an appropriation increasing the estimate.

Mr. STIMSON. The question, of course, was very painfully thought of by us when we had before us the same question in the committee on finance of the convention, and we were influenced in our final decision, which was unanimous in the committee, by these things which came up. We found, for instance, that in the Legislature of the State of New York the preceding winter—before I take up that instance, I might preface it by saying that we found that in the Legislature of New York there was the same pressure for local things as there was, necessarily, here in Congress. The preceding year there had been an appropriation presented which was in favor of a very popular and very well liked member of the legislature, which involved his future. It was indefensible except from that standpoint.

Appropriations are considered in our legislature by a single committee of the senate, finally, the ways and means committee, and that committee, by committee action, turned this down and kept it out. It was subsequently forced in by a vote on the floor in which every member of the senate voted in the affirmative except the Republican chairman of the ways and means committee and the Democratic leader of the opposition.

You are, of course, familiar—much more familiar than I, although I had a number of cases come to my attention—with instances where there would be a union of similar interests on the floor. There was when I was there, by people who had dams that they wanted to get permits for on navigable rivers. There was a great issue then as to whether there ought to be compensation for it, and the President had taken the view that there should be a compensation charge, and the people in the country who wanted dams were unwilling to pay it. Well, they united enough districts that had dams to create an omnibus dam bill, and passed it that way.

I remember Mr. Fitzgerald told of a case where two-thirds of the House united against Speaker Cannon, at the time when he was Speaker of the House, in favor of a public-building bill, but in which there were enough districts united to get two-thirds of the body.

Mr. GOOD. That was an authorization bill, not an appropriation bill.

Mr. STIMSON. Well, it authorized appropriations.

Mr. GOOD. Of course, if we put in the House a provision that would require a two-thirds vote on matters not estimated for by the President in appropriation bills, that would not affect the an-

thorization bills on public buildings. That comes from another committee. The mischief is done, too often, before the appropriation bill is reported. Once an authorization to build 400 post offices in the United States passes the House and the Senate and becomes a law, then the Secretary of the Treasury estimates for the construction of them. Now, if your vote was on the authorization, then you would reach the trouble. But if your vote is only on the estimate, it will not affect anything, because the Secretary of the Treasury will estimate for those 400 buildings, no matter if the building of them can not be defended as a public necessity.

Mr. STIMSON. I do not want to make any suggestion as to the details of methods which are, of course, matters which are within the knowledge of each one of you much more than I can ever dream of knowing; but I do think this: It is clear as to the landmarks that we have got to go by. First, as I said a moment ago, you have got to transform the attitude of Congress into that of critics instead of the interested party or proponent.

Mr. GOOD. I think so.

Mr. STIMSON. And, second, the roses that grow over party walls are the sweetest of all, and you can not count on there not being a non-partisan opinion in favor of a raid on the Treasury sometimes. Am I speaking too strongly in that respect?

Mr. GOOD. Oh, no.

Mr. BYRNS. Is not this true? We have heard a great deal in recent years of Congress being more or less of a rubber stamp. If we should change the system whereby a Member of Congress would not be permitted to present his views on the floor of the House and ask for an appropriation that he and his constituents think they ought to have, which would require him to go to the Executive to approve his service, whatever it might be that he wanted, would it not tend to make Congress more or less of a rubber stamp, not only as to appropriations but as to legislation?

Mr. STIMSON. I have heard that argument, and it is so true in some respects and I have heard it so often that I want to answer it. Any system that transfers the pulling and hauling for district favors from the Capitol over to the White House not only in my opinion would not be an improvement but it would be worse, and I am certainly not in favor of anything that would do that. But I want you to consider these facts as bearing upon the question of whether it would do so. In the first place, in the very beginning the thing that has given the Executive his present power against Congress has been the thing, as I have seen it, about our legislative system which has made our committee system and our legislative system vulnerable to the onslaughts from big business in a way that it did not use to be. Just let me call your attention to certain things. We have had a great change in our business and social life in the last 100 years, and it has vitally affected our legislative methods.

One hundred years ago we had no such demand for franchises of very great pecuniary value. At that time our fathers were very fond of talking about the legislature as the refuge of the people's rights. You find that in almost every constitution that we drew, the request that the legislature should meet frequently to defend the liberties of the people. But, as time has passed and this change has taken place in our business life outside, I think it has been one of the very regrettable things that our system has not stood up against.

the growth of the coordinate power outside of legislative walls, of the great corporations, as the people desire it to. They have had to go for the curbing of trusts and things of that sort to the executive and to the courts, and gradually I think they have turned more to the executive. It is one of the features that is regrettable in the situation which has not come from any deterioration of personnel but simply from the fact that our fiscal methods were loose.

There has come an unmistakable weakening of the old features of the legislature which you see in almost every one of our constitutions, which limit the legislature by providing that it shall not sit more than 90 days in any year. You have all seen those provisions. The State of Maryland has both of them. They have that provision that was in the constitution when the constitution was adopted saying that it should be the duty of the legislature to meet often and protect the liberties of the people; and then they have a provision made in the sixties, when big business was first making itself felt, to the effect that the legislature can not sit more than once in two years and can sit only 90 days when it does sit; and that is common all over.

It has seemed to me as an outside onlooker that the power of the President, which is unmistakable when he gets at loggerheads with Congress on a subject like that, has mainly come from the fact that he has been appealed to against something that people have felt has gone wrong, in the secrecy of methods that they do not know about, and did not have light upon. For instance, we have in our State the right to veto items of the appropriation bills by the governor. Well, it is a normal thing now for the people to look to the governor to keep down the bills by the use of that veto on the legislature.

I do not want to get on financial matters, but I do think that the committee must have noticed that in financial matters, particularly in our States—I am not speaking now so much about Congress but particularly of the States as a whole, the confidence in the executive has come partly because, under our loose fiscal system, the people have grown to depend upon him, working in the light of day, a single man, to cut down things that were done in committees that they could not get at.

Mr. TEMPLE. But as to the Congress and the Executive what authority have the courts, unless the legislature has given them the law?

Mr. STIMSON. Oh, I know it is not a lack of confidence which is so far reaching that they do not feel that the legislatures are their representatives, but I mean that as between the two there has been rather a shifting of the balance over there, and my answer to my friend's position here is that the remedy is to reform the fiscal methods by getting the legislature into its true position, of the guardian of the people's purse, the notion being that the guardian closes the purse strings and does not open them, rather than to retain power to open them. That you do not want to strengthen the power of the people in the legislatures against the executive by doing this very thing which you are afraid will give more power than in any other way—that the first minute you have the sight before the people of the executive asking for money on impulse, and the legislature saying, "You can not have it; I am going to defend the people," you will do more to remedy that weakness of the legislature than in any other way.

This question is of so broad a type that I want to call your attention to one other thing, which is an affirmative and not a negative reason. The Executive brings to bear on that question a viewpoint which he naturally gets and which the legislature can not, as now constituted, get, namely, the viewpoint of the Nation as a whole as against the view of an aggregate of disputants. Now, that is a very important advantage which our system of Government gives to the man who is elected by the electorate as a whole. You know—I take it from the State again—the governor will do lots of things and can do lots of things to defy selfish interests which a member of the assembly can not do, simply because the governor is a bigger man and represents a bigger electorate—I mean a bigger man in that sense, representing a bigger district, and a small group of selfish interests can not pull him down as easily.

Taking my experience here, for instance, I can not conceive, if we had had an executive budget prepared by the Executive throughout our national history, I can not conceive, for instance, of our Army being quartered as I found it, in 48 separate posts, at an expense to the Treasury which was not only unnecessary but was terrifically subversive of Army efficiency, of about \$6,000,000 a year. I can not conceive, if the budget had been submitted by the Executive, of our having a number of navy yards that would not dock our battleships. I can not conceive of the chairman of a committee on naval affairs—I can name him, but I will not—when he was asked, “Is it not a fact that the navy yard in your district will not accommodate our latest battleships?” answering, “That is true, and that is the reason I have always been in favor of small ships.” [Laughter.]

Mr. TINKHAM. That is a new one

Mr. STIMSON. Now, I mean if the budget had been prepared by the Executive from that viewpoint I do not think you would have had quite that tendency to improve our great waterways, not according to the lines of true commerce of the country but according to the lines of “How much money are you going to spend in each district”? I mean that was a thing that came to me constantly. Almost the last paper that I drew as Secretary of War was a memorandum based on a report of the Chief of Engineers that we did not have a single waterway that was built in the same way in which we would have built a trunk line railway, for instance, with a view to the general commerce of the country rather than to the individual needs of a given district. I know I am treading on dangerous ground, but—

Mr. GOOD. We have appropriated about \$900,000,000 for waterways. So far as I have been able to find out we have never appropriated a dollar that was not approved by the Board of Engineers and the Secretary of War and estimated for by the Engineers.

Mr. STIMSON. I will tell you why. I know why. That was one of my troubles. When I was Secretary of War I found this situation, and I found that the reports of the Chief of Engineers which came to me were not “Is this an improvement which should be made in view of our particular funds this year—our particular budget this year—and in view of all the improvements in the United States taken at the same time”? but simply and solely “Is this an improvement of a waterway which should be made”? And the Chief of Engineers

said he was directed by Congress to report in that way, and this was the way he was going to interpret that, not in comparison with other projects, but simply whether in the millennium it would be a good thing for the country to have that waterway improved. When I said, "That does not suit me at all. You come in here with a lot of propositions which you have approved, and you want me to approve, to improve the navigation of such and such a river and such and such a creek and such and such a harbor. I want to know how does that compare with the situation of the country as a whole"?

He said, "I have not anything to do with that. I can not have anything to do with it. Congress will not listen to me on that. They reserve the judgment to do that themselves"; and when I came to look up the provision of law under which he did it, he was right, and I could not change it.

Mr. GARNER. Now, Mr. Secretary, how is the President going to remedy that situation?

Mr. STIMSON. I hope you will give him power to express his views.

Mr. GARNER. He has that power now.

Mr. STIMSON. Then I am pretty sure that a President that operates will express himself on that.

Mr. GARNER. You illustrated that by speaking of the 48 military posts throughout the country in which the Army was dispersed. That was the policy recommended by the War Department.

Mr. STIMSON. I do not know about that.

Mr. GARNER. Where did Congress appropriate for any post that was not in the estimates of the War Department?

Mr. STIMSON. Will you listen to me on that?

Mr. GARNER. Yes.

Mr. STIMSON. That was another thing I ran into when I was there, and I think Mr. Madden will remember the row that came up over that. I found these 48 posts, and just about that time another party came into power in the House of Representatives that was rather anxious to find any sources of unnecessary expenses which had been incurred by some 12 years of preceding Republican administration, and one of the first things they did—first I, in my annual report, called attention to the fact that our Army was scattered in posts at a great cost to its efficiency and to its economy, and that it was a false and vicious system.

The House of Representatives at once passed a House resolution quoting my language, and asking the Secretary of War to specify which posts had been located in an unduly extravagant way and in any unnecessary place; and then, having done that in a fit of virtue, a large number of individual Congressmen came running around to me and said, "Of course, Mr. Secretary, you are not going to answer that? They are just trying to play politics with you." But I said, "I am." And I made a report which is on the files of Congress, pointing out which posts, in my opinion, and in the opinion of the General Staff, were unnecessary at that time, what they had cost, and that hit a great many gentlemen in my own party, who did not have much use for that particular Secretary afterwards for some time; but it did not produce any change in the policy of Congress, succeeded by executive action in abolishing, I think, four or five posts, before I went out; but I could only abolish posts which Congress could give me the power to put the troops somewhere else, and that was not forthcoming.



Mr. GARNER. Now let me ask you this question. The executive has the power. I want to investigate where it is that the executive branch of the Government had that power and Congress was only following to a certain extent the recommendations of the War Department with reference to river and harbor work and with reference to appropriations for Army posts. For instance, the Secretary of War or the President of the United States could abandon any post at any time he desired; is not that true?

Mr. STIMSON. He can only when he can put the troops somewhere else.

Mr. GARNER. If he had the room for them.

Mr. STIMSON. But he did not have the room. That is what I am just telling you. I succeeded in shutting up all the posts that I could, and it did not amount to more than four out of 48, because I had nowhere else to put the troops. That system had grown up through a long course of years. You know every district clamors for a post in the same way that it clamors for a post office, and that is reflected in everybody who has power to get the necessary money to do it.

I do not throw any stones at any particular people, but you will find that so. Every time I went around the country to inspect posts, every time I stopped in the city I would be waited upon by delegations who wanted to prove to me how exceptionally good a place that would be to establish a post; and Congress is under that pressure all the time, and you will find appropriations here to establish a post here and there, now and then. The chance only comes once in a long while, but when it does come they take advantage of it.

Mr. MADDEN. Whenever you get a new chairman of the military committee.

Mr. STIMSON. Yes; whenever you get a new chairman of a military committee, whether a Democrat or a Republican, it goes that way.

Mr. TINKHAM. Most of those posts have been established by legislation.

Mr. STIMSON. All of them.

Mr. TINKHAM. So that the responsibility comes back to Congress.

Mr. STIMSON. It may be that the Executive has not always stood up against it, but I found that one of my predecessors had protested to Congress, in Massachusetts, that to expend \$100,000, I think it was, on Fort Whipple, would be to compel him to expend that amount of money against his official judgment; and in spite of his recommendation and over his protest, the item was forced through, and he had to spend the money.

Mr. GARNER. You made a statement that was a little too general. I represent a district where there are five military posts.

Mr. STIMSON. You are lucky. [Laughter.]

Mr. GARNER. Mr. Taft, when he was Secretary of War, started this work, I think under President Roosevelt's administration. I think that concentration idea was the wise policy.

Mr. STIMSON. There are many a Congressman who takes the same patriotic view.

Mr. GARNER. That was one of the many good things that President Taft started under his regime, as Secretary of War.

Mr. STIMSON. I would be very loath to have you think that in saying what I said I do not recognize that both ends of the Avenue have shared in that action. I only say that normally it is easier for an executive, whether it is the President or whether he is,

instance, the Secretary of War representing the Army as a whole; it is easier for him to be patriotic on that kind of a subject, than it is for a Congressman representing a district; and that is all I mean to say; nothing more.

I have covered about all that I have to say, except the last point in regard to his investigation and the audit which should take place as the final step in budget making. That I regard as a purely Congressional function, which there has been a great lack of here. You ought to have more power. You ought to have more machinery. At present you have a committee, an investigating committee on the War Department, and one on each of the other departments, and that committee merely acts now and then; but you have to do it not by having a corps of trained investigators who have their eye on the job right through the year, but having sessions now and then, and by calling the Secretary before it, and calling other officials before it and examining them without assistance. I do not think that is sufficient. You ought to have somebody who will perform the same function of scrutiny and care and investigation for you that is performed in Great Britain by the controller and auditor general. One thing that I think requires caution about—that is, that the function as I regard it is a post-audit function. I do not think that that man ought to be given duties which would tend toward making him share executive functions. I mean, I think that would be a diffusion of duties which would lead to trouble. In other words, I do not think he ought to have the responsibility of saying beforehand whether sums would be expended. That would simply mean the creation of a little subexecutive, a little subpresident, controlling the department.

Mr. MADDEN. Would you give him power to say whether it is a legal expenditure or not?

Mr. STIMSON. That is a legal power that I think would not do harm. But I am a great believer in not dividing responsibilities.

Mr. MADDEN. But he ought to have power not to approve the exercise of discretion in the expenditure?

Mr. STIMSON. He should be very careful not to give his consent except from a purely legal standpoint. Where a question of real policy enters in at all, it seems to me the true rule should be for Congress to say to the Executive, "The responsibility is up to you to follow our directions, and if you do not do it, you do it at your risk, and we will punish you afterwards, and we will catch it in the next budget," but not to seek to paralyze the arm of the Executive first.

Mr. MADDEN. You ought to encourage the exercise of the greatest amount of discretion?

Mr. STIMSON. In our experience we called it a preaudit and post-audit. The function of this auditor, in general, should be through auditing the things that have been done, and advising Congress whether there should be punishment meted out, and also advising Congress how to prevent it in future appropriations, at least.

Mr. TINKHAM. Who should select him?

Mr. STIMSON. I should say, offhand, that he should be a presidential appointee. It depends on the power you give him. Of course if you give him executive functions, under the Constitution, he must be appointed by the President.

Mr. GARNER. You mean to say that you think we ought to take the present auditing department, that is in the Treasury, and take it out of the Treasury and place it under Congress?

Mr. STIMSON. No, not necessarily. The present Comptroller of the Treasury performs rather different functions than I had in mind. He is not at all the officer that I had in mind.

Mr. GARNER. You mean you want him entirely independent of the auditing department that is now conducted?

Mr. STIMSON. Yes.

Mr. GARNER. I think these gentlemen agree with you.

Mr. STIMSON. The thing that I am speaking of I think, so far as I know, does not exist in any vigorous form at present at all. I think Congress, if it is going to become a critic, should have all the machinery to have its criticism adequate; that the executive should have, if it is to become the proponent, should have its proposition adequate. The two functions ought to be kept separate, but they ought to be made to work coordinately through, not firing messages at each other, but meeting face to face.

Mr. MADDEN. Would you establish a committee on expenditures to whom the auditor would report facts for submission to the Congress?

Mr. STIMSON. Do you mean a congressional committee on expenditures?

Mr. MADDEN. Yes.

Mr. STIMSON. I should think one normally would be appointed. Frankly, I have not thought out the committee details. You would know much better about that than I; but I should say there should be a very active committee who would be in a position to use this machinery——

Mr. MADDEN. That is what I mean.

Mr. STIMSON (continuing). To make it uncomfortable for the executive departments, particularly when the head of the executive department appeared either before an appropriations committee or the House committees to defend his estimates.

Mr. MADDEN. You would use this committee on expenditures as the instrumentality through which the auditor would speak to the Congress?

Mr. STIMSON. I should think so; but that is a matter which I have not really thought of. I have not thought that out. There must be, normally, ways by which Congress avails itself through its committees of the material gathered by its auditors.

Mr. MADDEN. At the same time it would be difficult for the auditor to keep Congress advised in detail of the suggestions of extravagance or to conduct these functions unless they were to do that through some committee with which they were in close communication.

Mr. STIMSON. I agree with you absolutely. At any rate, it must not be in the shape of firing reports broadside at Congress in general.

Mr. MADDEN. Oh, no.

Mr. STIMSON. It must be made somebody's duty to avail themselves of the information which has been collected by this auditor.

Mr. MADDEN. And preferably some auditing agency who stood ready to take some action?

Mr. STIMSON. Oh, absolutely. It ought to be a very important committee of Congress, because I regard their function as virtually the function of leading in the budget debate.

Mr. MADDEN. They would be second only to the budget committee.

Mr. STIMSON. I should think so.

Mr. GOOD. Do you think there is anything to be gained by having the budget considered in the House as a unit, and what do you think as to whether or not it destroys some of its usefulness when it is divided up into appropriation bills?

Mr. STIMSON. I do. My view has been that it would probably have to be considered both ways, but that there must be some consideration of it as a whole; certainly in cases where the issue has become important.

Mr. GOOD. What is the practice in New York State?

Mr. STIMSON. You mean in the legislature?

Mr. GOOD. Yes.

Mr. STIMSON. At the time when we were studying it, it was very much like the practice here except that we had only one appropriation committee in each House instead of eight.

Mr. GOOD. But they reported out separate bills?

Mr. STIMSON. They reported out separate bills. Well, they reported a smaller number of bills than you do, but one of the great abuses was that they reported what they call the supply bill, into which went everything that had not been thought of before, and into which the less defensible measures were put or found their way, and they also would report that out on the floor of the House in the very final hours of the session.

Mr. MADDEN. That would be equivalent to our deficiency bill?

Mr. STIMSON. Not altogether, because your deficiency bill is a pure deficiency bill. The supply bill is something like the sundry civil bill with deficiencies added. The year before our convention met, the largest appropriation bill—supply bill—had been reported out, I think, at 1 o'clock on a Sunday morning of the last session of the legislature and had been passed at 3 o'clock, and the legislature adjourned a little later. Now, that was a rather extreme example of what this method has led to. When our budget was rejected in the election Gov. Whitman tried to get a budget by statute to a certain extent, but I am not familiar with the details enough to speak precisely about it. Mr. Willoughby has quoted its provisions in one of his books, and you can get them that way. But I do know this, that it has worked back into the old system. The legislature reported Gov. Whitman's executive budget and passed a statute which provided for what they call a legislative budget. That is, while they allowed the governor to submit a program to them, or some kind of a program as I remember it, they retained full power, and much of the old methods, and it has resulted in no advance whatever.

I believe it is said to be even a little worse than the old method. That rather confirmed my notion that I have always had that unless you can accomplish enough to make a complete transformation in the attitude of the legislature so as to make them purely critics, they will slide back into the old position of mixing of the two functions between both the proponent and the disposer.

Mr. MADDEN. As it happens, generally we have been obliged to accept less than we intended to accomplish.

Mr. STIMSON. Nobody has ever lived very long without finding that rule.

Mr. MADDEN. And have reached the conclusion frequently that it was better to do what it was possible to do, and afterwards try to bring it up to the standard, than it was to do nothing at all.

Mr. STIMSON. I have always agreed with that principle, and I also believe a great deal will be accomplished if you recognize that it

is an executive function to propose, and if you succeed in making the President assume the responsibility of presenting to Congress a definite program in public——

Mr. MADDEN. In making him do it?

Mr. STIMSON. I think you will find a very different temper in the public at large to-day from what it had to deal with. Everybody is thinking of his income tax now. Everybody is thinking in a way which is going to keep his eye on what Congress is doing in that respect much more than in the past.

Mr. MADDEN. I am glad to know that.

Mr. TINKHAM. That refers, of course, only to those who pay an income tax.

Mr. STIMSON. Yes; or who are afraid they will have to pay it.

Mr. GARNER. Is not that one merit and virtue, that the income-tax payers are collecting the revenues of the Government?

Mr. STIMSON. Oh, yes; I believe in it. I believe in it so much that I would make it even more so than it is now by making more people pay an income tax.

Mr. GARNER. You would lower the exemption?

Mr. STIMSON. I think I would lower the exemption. You have spoken of the American system of executive duties and legislative restriction. [Reading:]<sup>1</sup>

That is precisely our provision except with the addition of the school provision.

Mr. TINKHAM. In New York?

Mr. STIMSON. I mean the one we proposed that was reported in New York.

Mr. TINKHAM. In the constitutional convention.

Mr. STIMSON. Precisely the same in organization, except that they have added the provision with regard to the school fund to the items which the legislature can raise.

Mr. GARNER. I have not had the pleasure of hearing all that you said. Would you have the rules of the House of Representatives to be amended so that no amendment could be offered to a budget for increase in the House of Representatives?

Mr. STIMSON. I do not think you will accomplish the end of putting the legislature, Congress, into the position of exercising its real function of holding the purse strings until you confine it to that alone. The minute a man gets his own item in, that moment his value as a critic is very seriously impaired on all other people's items.

Mr. GARNER. But let us illustrate and see whether you can go that far. Congress passes an act requiring appropriations, in order to function under the law. The President in his budget does not make any estimate for that at all. Now, Congress has expressed the will of the people—the policy to be pursued. The executive disagrees with that view, although he has approved the legislation. In his budget he does not send in an estimate for that. Now, do you say that Congress, the House of Representatives, can not appropriate for that particular function of the Government that is authorized by law?

Mr. STIMSON. I read what we did in our bill providing that they could do it, after the budget has been passed on, but they must do it by a separate bill covering a single work or object, and not in the

<sup>1</sup> Matter not submitted.



general list. Otherwise, you will open the door again to having the budget supplied by the legislature.

Mr. GARNER. You would have exactly what you remarked a while ago that the New York Legislature had. Suppose after the budget had been considered then there were a number of items that the Executive had failed to estimate for; then you would have an additional appropriation bill carrying sundry items.

Mr. STIMSON. Here is our item in the constitution of the State of New York. It provides as follows [reading]:

On or before the first day of February next succeeding he shall submit to the legislature a budget containing a complete plan of proposed expenditures and estimated revenues. It shall contain all the estimates so revised or certified and shall be accompanied by a bill or bills for all proposed appropriations and reappropriations, clearly itemized; it shall show the estimated revenues for the ensuing fiscal year and the estimated surplus or deficit of revenues at the end of the current fiscal year together with the measures of taxation, if any, which the governor may propose for the increase of the revenues. It shall be accompanied by a statement of the current assets, liabilities, reserves and surplus or deficit of the state; statements of the debts and funds of the state; an estimate of its financial condition as of the beginning and end of the ensuing fiscal year; and a statement of revenues and expenditures for the two fiscal years next preceding said year, in form suitable for comparison.

All of that is practically a definition of the budget. (Continuing reading):

The governor may before final action by the legislature thereon, amend or supplement the budget.

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The governor and the heads of such departments shall have the right, and it shall be their duty when requested by either house of the legislature, to appear and be heard in respect to the budget during the consideration thereof, and to answer inquiries relevant thereto. The procedure for such appearance and inquiries shall be provided by law. The legislature may not alter an appropriation bill submitted by the governor except to strike out or reduce items therein; but this provision shall not apply to items for the legislature or judiciary. Such a bill when passed by both houses shall be a law immediately without further action by the governor—

Taking away his veto—

except that appropriations for the legislature and judiciary shall be subject to his approval as provided in section of article 4.

Then comes the provision that you have spoken of [continuing reading]:

Neither house shall consider further appropriations until the appropriation bill proposed by the governor shall have been finally acted on by both houses: nor shall such further appropriations be then made except by separate bills each for a single work or object, which bills shall be subject to the governor's approval as provided in section 9 of article 4. Nothing herein contained shall be construed to prevent the governor from recommending that one or more of his proposed bills be passed in advance of the others to supply the immediate needs of government.

Now, the main fear that was expressed in our debate was the fear that that opened the door too wide.

Mr. GARNER. You understand that now in the House of Representatives you can not propose an appropriation that is not authorized by law, and if an appropriation is authorized by law then the Congress has established that policy and it is a question of the advisability of making appropriations to carry out the law that is already on the statute books. One Member of Congress can make a point of order and it can not go in the bill; so that if you have one who says that is not a wise appropriation, he by a point of order can keep it out of the bill.

Mr. GOOD. Mr. Stimson, we are very much obliged to you.

WEDNESDAY, OCTOBER 1, 1919.

**STATEMENT OF MR. FRANKLIN D. ROOSEVELT, ASSISTANT SECRETARY OF THE NAVY, WASHINGTON, D. C.**

The CHAIRMAN. Mr. Secretary, this committee has been considering the question of legislation for a Government budgetary system and one also on the question of improving our accounting system. The committee would like to have you make any statement you care to make touching the question of a correct and sound system of budget making for the Government.

Mr. ROOSEVELT. Perhaps, Mr. Chairman, I might start off by saying that I have not read the various measures which have been proposed, except the bill introduced by Senator McCormick, and what I will say will be based almost wholly on general principles rather than details of any proposed legislation.

The CHAIRMAN. The committee would prefer that the discussion go along the line of general principles rather than any of the bills that have been introduced.

Mr. ROOSEVELT. It has seemed to me, from a somewhat general study of this situation for the past six and one-half years in the Navy Department, that it can be divided, you might say, into three main heads, the first relating to the estimating for legislation by the departments; the second, the relationship that the departments bear to Congress in the carrying out of this legislation; and, thirdly, the question of later supervision; in other words, auditing.

Naturally, the Navy Department is not particularly concerned with the later phase, with the auditing, after the money has been actually spent. That is a matter, we believe, which can be taken care of by, perhaps, a consolidation and an improvement of the present system under the Treasury Department, and perhaps a closer touch by the committees on expenditures in the House and Senate than exists to-day.

I think it is a fair statement to say that the different committees of expenditures in this, that, and the other department in Congress have never amounted to much in the past as working committees.

The chief matter that concerns the Navy Department is the preparation of the estimates, and, following that, the difficulties which we experience in obtaining changes during the following fiscal year in which the money is to be spent.

Mr. MADDEN. What do you mean by changes during the fiscal year—after the appropriations have been made?

Mr. ROOSEVELT. No; changes which the department would desire to make. For instance, at the present time we make our estimates on the 15th of October for a year beginning the first of the following July.

Now, I can not speak for the other departments, but I can for the Navy Department. The estimates that we send up to Congress are necessarily in large part guesswork. We do not know exactly what we are going to need during the year beginning the following first of July, and we have to guess. Naturally, in the course of administration dozens and hundreds of cases come up where the guess has been wrong.

Mr. TINKHAM. Is that because you estimate too far ahead?

Mr. ROOSEVELT. That is because we estimate too far ahead, in our judgment.

Various methods have been suggested to me to get around that, one a very interesting one, the changing of the fiscal year to begin on the 1st of April instead of the 1st of July, and that would give a clear saving of three months and yet would in most cases give Congress, meeting the first week in December, an opportunity to pass the main appropriation bills before the beginning of the fiscal year.

Even if the fiscal year were changed to the 1st of April, we would be making the estimates during the course of the previous fiscal year, and even then many cases would come up where, for good business reasons, we would require changes.

That is one broad principle that we believe ought to be established, some method of allowing changes to be made, saving money in one place where we can do it and expending it in another where a new need occurs.

The chairman knows the case that we had up here about a month ago. The Naval Committee last spring was given an estimate by the department for the amount of money necessary to repair the ships that had seen service in the war. It was a perfectly honest estimate, based on the best information we had on hand at that time. The Naval Committee gave us practically, or very nearly, what we asked for. That was in the spring. During the course of the summer we found that the appropriation was insufficient to carry on the work due to later discoveries. We started to lift out the engines of the ships and found they needed more repairs than we had expected.

We, therefore, came up here and asked for an additional appropriation. Part of what we asked was given us by the appropriations committee on our showing them that we would have an equivalent saving from another portion of the appropriations.

Now, in any budget system which is instituted, I believe there should be some provision by which we could transfer money from one appropriation to another in the same bill, perhaps with the approval of a committee of some kind in Congress, but without the necessity of getting definite legislative congressional action by both Houses. That takes too long, and you appreciate the difficulties of getting action of that kind by the whole of the Congress.

We would be entirely willing to have changes of that kind made from one appropriation to another by and with the consent of a committee of the House or a joint committee of the House and Senate.

Mr. HAWLEY. Under that power what proportion of any appropriation or of the appropriations generally would you want power to transfer from one place to another?

Mr. ROOSEVELT. It would be very difficult to fix any definite limit. In some conceivable cases it might run as high as 100 per cent.

For instance, the present form of the estimates requires each item of what we call public works—that is to say, improvements in the form of buildings, shops, and things of that kind in navy yards—each one of those improvements is specifically listed. Now, we might consider in the summer that we need a new power plant at some yard, and Congress might give us the money for it, and on looking into the matter more closely, or because of changed conditions, by the time

the fiscal year comes around we may decide it is in the interest of economy not to build that power plant at all at that place but to put it up at some other place. That would involve a transfer of 100 per cent of the appropriation. I do not think any percentage should be placed on that power.

Mr. MADDEN. Well, in the English system that power is allowed in many instances if the department can show a saving in one place and use the money thus saved in another place.

Mr. ROOSEVELT. Yes; under the English system, as I understand it, the Admiralty, for instance, does not have to get the consent of Parliament to a transfer of appropriations. They have, to all intents and purposes, a lump-sum appropriation.

Take the case of their ship-building program as an illustration: When they go to Parliament for an appropriation, the first lord of the admiralty, who corresponds to our Secretary of the Navy, says to Parliament, "Out of this total, as far as increase of the navy goes. I now propose to build, let us say, four battleships and two battle cruisers."

But in the course of the year it may seem advisable for military reasons to change that around and build two battleships and four battle cruisers. He has the absolute right and power to do that without asking further approval from Parliament. All he has to do is to report back that he has made that change.

Mr. GARNER. Of course, under that process you enable the committee to determine the policy of the Government. Congress no longer determines the policy of the Navy Department. For instance, the illustration you gave a minute ago, if we appropriated \$50,000,000 or \$60,000,000 or \$100,000,000 for the purpose of building battleships and cruisers, and later on you should determine to use \$25,000,000 of that to build dry docks or machine shops or something of that kind, under your arrangement that could be done?

Mr. ROOSEVELT. Yes.

Mr. GARNER. Although Congress in considering that matter might not have given its consent at the time?

Mr. ROOSEVELT. That is true.

Mr. GARNER. And so you take away from Congress the duty of forming the policy of the Government with reference to the Navy?

Mr. ROOSEVELT. Not at all; though undoubtedly this means the giving up of the exercise of certain minor powers which Congress has used up to the present time.

Mr. GARNER. At one time, if I recall, we had in the Navy bill—I believe it was in the Navy bill—a provision whereby you could transfer 10 per cent. I do not know whether it was the Navy bill, but in some bill we had in Congress, and the matter was thoroughly discussed in the House at the time and we thought that the policy of the Government as outlined by Congress would not be materially changed by permitting 10 per cent to be transferred from one purpose to another.

Mr. HAWLEY. That was the agricultural bill.

Mr. GARNER. It was one of the bills. Mr. Hawley suggests the agricultural bill.

Mr. ROOSEVELT. I think it was.

Mr. GARNER. I remember at that time there was quite a lengthy discussion of that matter in the House and the final conclusion, as

I recall it, was that Congress granted that power upon the theory that 10 per cent transferred would not enable the department to change the policy as outlined by Congress.

I see the force of your suggestion where a great deal of economy can be gotten, but you must recall, Mr. Secretary, Congress might not always be in accord with the Secretary of the Navy in determining a policy.

Mr. ROOSEVELT. Yes.

Mr. GARNER. And it would enable him to do something that probably Congress, or the people whom Congress represents, would not want to do.

Mr. ROOSEVELT. I think that probably could be taken care of by a very few broad clauses in the appropriation bill. For instance, if the Congress in some particular year decided that they did not wish to add any more capital ships to the Navy that particular year, they could very well state in that clause that no part of this appropriation should be used for the building of additional capital ships. In other words, it is the negative way of putting it, which is far preferable to the present affirmative method, which, after all, has been in existence ever since the Navy Department started, by which we are told that we can build an addition to the power plant at Portsmouth, N. H., but we all know if that goes in Charleston, S. C., is going to have some equivalent.

I am somewhat drastic on this, and I am not talking about any specific detail of the Navy Department, but the Government's general method of making the appropriation. From the business point of view it is all wrong.

Now you take the growing up of the Navy Department, that is to say, the shore establishments that are appropriated for from year to year. They have grown up just like Topsy. We have added a little building over in this yard this year, and another little building over there, and then the next year we have added another little building off in that corner of the yard, and another in another corner of that yard. As a result the Navy Department's repair plants are relatively inefficient. We are saddled with the thing and to improve things at this time would take very drastic action.

Mr. MADDEN. How would the suggestion you make improve that?

Mr. ROOSEVELT. I think it would improve it in this way: If we had a broad general policy, a budget working through a proper budget system of committees, we could come to Congress and say, "Now, here is a broad general plan based on a 20-year program: that plan calls for the elimination of certain navy yards, certain plants all over the country; it provides for the dismantling of other plants and the selling of the land, and it provides for the building up of certain new plants on absolutely modern lines to take the place of some of those which are scrapped." Now, for instance, a plan of that kind might call for the expenditure of \$500,000,000 over a period of years. Congress could, through a budget system, have a perspective of the whole business organization as planned by the Navy Department for 20 years. It could say, "All right; we are willing to let you take the first step in that plan. Instead of appropriating the little items here, there, and the other place, this year we will eliminate all of the items in, let us say, two or three of these plants which it is proposed to scrap, and we will give you



\$25,000,000 to substitute a modern plant for these two or three which you are going to scrap."

In the long run, that is, in your 20 years under this particular example, you would not only come out square through increased efficiency, but you would have plants from 1 to 20 years old, instead of plants that average about 75 to 100 years old.

Mr. GARNER. But you are speaking now of the business end of the Navy. Now, in a general law you have to apply that to all the departments?

Mr. ROOSEVELT. Yes.

Mr. GARNER. How are you going to take in the Department of Commerce, the Department of Agriculture, and the Department of Labor? For instance, I recall very recently the Department of Labor asked for \$14,000,000 for the purpose of forming bureaus. Congress finally wound up by giving them \$400,000. Now, if you permitted the Labor Department to transfer from one fund to another, it might deem that service of such great value to the country that it would transfer from various funds into that fund, whereas Congress did not think that was worth so much to the country as the Labor Department indicated it thought. So the general law must apply to all the different departments, and the law that might apply from a business standpoint to your department might not apply with equal efficiency to the Agricultural Department or the Department of the Interior, or even the Treasury Department.

Mr. ROOSEVELT. I think the qualification that I made on this plan for the transfer of funds ought to save the situation. In other words, I would not give authority to the Secretary of the Navy or the Secretary of Agriculture to transfer funds all alone. I would require him to come up to some joint committee of Congress and get authority before he made the transfer; but I would not require him to come to both Houses and get congressional authority.

The CHAIRMAN. The sundry civil bill this year carries \$7,300,000 for reclamation service. That amount is appropriated for various projects. After all the projects are described, and the amount of the appropriation for each project is named, then there follows:

Ten per cent of the foregoing amount shall be interchangeable for expenditures on the reclamation projects named, but not more than 10 per cent of it shall be added to the amount appropriated for any one of said projects.

Now, as I understand you, you would remove the limit entirely?

Mr. ROOSEVELT. Yes.

The CHAIRMAN. Allow them to make transfers to any project named in the appropriation or to a project not named in the bill, so long as it was approved by the Secretary of the Navy and some committee of Congress?

Mr. ROOSEVELT. Yes; some check, in other words, provided by Congress without requiring absolutely new legislation.

Mr. MADDEN. Your thought was, as I got it, that the advisability of permitting the transfer of funds up to the total limit of the appropriation for any item to another item was because of the economy that would result from the transfer, but I further understood you to say that if you had decided, say, to build a power plant at Portsmouth and finally changed your mind about it and decided to build it at Charleston, that you could take away the facili-

ties that you intended originally to build at Portsmouth and spend money on it at another place. How would that establish economy?

Mr. ROOSEVELT. In this way: We would not seek to transfer the funds from Portsmouth to, say, Charleston, unless we were convinced that Charleston was a better place to carry on these particular operations. Then, also, I think if we had a budget system, with the improvement in the public service which I think we all believe has gone on during the past 15 or 20 years—I think the running of the department is distinctly better than it used to be in the old days—with that budget system I think there would be more cooperation on the part of the departments in the actual saving of money. For instance, there will be a greater tendency on the part of the Navy Department, if they found that the power plant at Portsmouth, N. H., was not necessary to cut it out altogether and not build it, than they would feel at the present time.

Mr. MADDEN. On whom would you place the responsibility of formulating the budget and reporting it to the Congress?

Mr. ROOSEVELT. Personally, I believe that the President of the United States at the present time has so many duties that it would be physically impossible to ask him in person to coordinate the estimates of the various departments into the budget; that no one department should be asked to do it, no one administrative department; but that some separate body or individual, directly under the President himself, should be charged with coordinating the various estimates into one budget and transmitting it to Congress.

Mr. MADDEN. So, as a matter of fact, you would place the responsibility on the President?

Mr. ROOSEVELT. Indirectly; but I would give him machinery which he has not got at the present time.

Mr. MADDEN. Is it your idea that if the President had the responsibility of coordinating the recommendations of the various departments and had the machinery with which to execute the power of coordination that it would tend to interest the heads of the departments and the heads of the bureaus in so formulating their estimates of the need as to institute an economy in the various departments?

Mr. ROOSEVELT. I think so distinctly, and I think that one of the first results would be that this budget officer, through the President, would discover that at the present time a great deal of duplication is going on in the work of the different departments; that, as this committee has found, you will sometimes find two or three different departments doing practically the same work.

Mr. MADDEN. You would not give the man who had charge of the bureau to furnish the President information upon which he could base a conclusion the power to say to the department heads that they must cease the practice of duplication, would you?

Mr. ROOSEVELT. I think that power must rest in the President himself.

Mr. MADDEN. But you would give them power to obtain the information by means of which the President could in his Cabinet meeting call the attention of the Cabinet officers to it and insist on their acting accordingly?

Mr. ROOSEVELT. Yes; of course, a great many of these things would require legislation, but the estimates could be submitted, I

take it—the budgets could be submitted in the form of the legislation desired.

Mr. MADDEN. Would you say that you favor the coordination of all the recommendations from all the departments in a single bill so that Congress might have a photograph of the needs of the various departments before it when it began the consideration of the appropriation bill?

Mr. ROOSEVELT. I think so absolutely, as far as possible. I do not know of any cases where that would not be a possible thing.

Mr. TEMPLE. In the case of projects that require new legislation, do you mean to say you would have the legislation in the appropriation bill?

Mr. ROOSEVELT. I think it could be submitted in two ways: The first way under the old form of appropriations, and the second under the new proposed form, with the legislation necessary tacked on as a paragraph. For instance—

Mr. TEMPLE. You would then put the legislation and the appropriation to put it into effect in the same bill?

Mr. ROOSEVELT. Yes; I would submit the budget in two forms, one in a form that would conform to the existing law and the other in a form conforming to the proposed changes in the law.

Mr. TEMPLE. But with the legislation and the appropriation in the same bill?

Mr. ROOSEVELT. Yes; for the simplification of the matter to Congress, that is all. To make it clear, for instance, to give you an example, there has been a good deal of agitation about the Coast Guard, as to whether the Coast Guard should be under the Navy Department in time of peace. If the President should decide that in his judgement the Coast Guard should be under the Navy Department in time of peace, he should submit the budget in two forms—in one form the appropriations for the Coast Guard would be under the Treasury Department, and in the other it would be under the Navy Department with the legislative paragraph placing it there.

Mr. TEMPLE. What I was thinking about is this, that since all legislation requires an appropriation to put it into effect, if you put the legislation and the appropriation into the same bill you would only have one bill in the whole session of Congress?

Mr. ROOSEVELT. That is it; yes.

Mr. TEMPLE. And there would not be any other business to do than to pass that one bill?

Mr. ROOSEVELT. That is it.

Mr. GARNER. There is one other fault in that, too, that has been suggested by some gentlemen who have appeared here. When you put in the general appropriation bill a change of general policy you may cause a man to vote against the bill where he does not favor the change of policy but would be glad to vote to sustain the Government, so you would not have a reflection of the views of the Members on it. That would be one difficulty.

Mr. ROOSEVELT. That would be one difficulty. But Members could record themselves in the votes on the separate items.

The CHAIRMAN. Do you think, Mr. Secretary, that it is an essential part of budgetary reform that the appropriations for the Government's service for a year should be placed in the same bill along with the legislation necessary to raise any additional revenue for that

Mr. ROOSEVELT. I take it that most of the budgetary reform bills year?

have favored recommendations as to the means of raising the revenue to pay them. Personally I do not see the necessity for that.

The CHAIRMAN. The necessity for having them in one bill?

Mr. ROOSEVELT. I do not see the necessity for it personally. They are such very foreign subjects to each other.

Mr. MADDEN. But you would be required to know the amount of revenue against which you were appropriating?

Mr. ROOSEVELT. Yes; and by having all your appropriations in one general bill you would know that.

The CHAIRMAN. It was suggested by one of the gentlemen this morning that the Ways and Means Committee of the House would become a useless and worthless appendage of the House and might well be abolished.

Mr. HAWLEY. We are going to introduce a witness to say that the Appropriations Committee ought to be abolished for the same reason.

Mr. GARNER. A better illustration of that policy would be this: Take Mr. Madden and myself. We would agree, I think, on the policy of this Government, but could not get together on the manner of raising the revenue, so we could not get together on the bill. We must have them separate, because the conduct of the Government is a business proposition, whereas the raising of the revenue is a political issue.

Mr. ROOSEVELT. Yes. There is no political issue as to how the different departments should be run and very little as to how the appropriations should be made, but there is a very great political issue as to the raising of the revenue.

There is another feature in the change of the present appropriation that I would like to bring out, and that is the language of it. The present headings, in the annual appropriation bill, are entirely out of accord with any system of accounting. In other words, when we get an appropriation item in the appropriation bill we find it necessary to change it all around, divide it up to fit our accounting system. Our accounting system is not as perfect as it might be, but it is a whole lot more perfect than if we tried to make the accounting system conform to the Naval appropriation bill system.

In connection with that, with the creation of a budget system I believe we would have the same general methods of accounting in all departments. Following that you would have the language of the appropriations so drawn as to conform in general principles to the methods of accounting. That would save everybody a great deal of time and trouble, and incidentally a great deal of misunderstanding between the departments and Congressional committees.

Mr. TEMPLE. Is there a uniform method of accounting in the departments?

Mr. ROOSEVELT. No; there is not. Each department has a different method of accounting.

Mr. TEMPLE. Then there is hardly one bill that could conform to the various methods of accounting.

The CHAIRMAN. Some of the departments have different methods of accounting in the one department.

Mr. ROOSEVELT. Yes.

**Mr. MADDEN.** Then what you want is to reform the form of accounting more than to reform the form of the legislation?

**Mr. ROOSEVELT.** They both need reforming. The budget system, for instance, would make as its first step a uniform system of accounting in each department, and as its second step changing the form of the language in the appropriation bill to go with it.

**Mr. MADDEN.** So you really ought to take the first step in reforming the accounting system?

**Mr. ROOSEVELT.** Yes; both steps.

**The CHAIRMAN.** As I understand, now where a large sum is appropriated for a given subject under your system of accounting, that is divided up into subdivisions?

**Mr. ROOSEVELT.** Yes.

**The CHAIRMAN.** And then you have to go back when referring to your appropriation and explain what portion of it went for one purpose and what portion went to another purpose?

**Mr. ROOSEVELT.** Yes.

**The CHAIRMAN.** Whereas the better plan would be to have the appropriation go right hand in hand at all times with a uniform system of accounting?

**Mr. ROOSEVELT.** That is it.

**The CHAIRMAN.** So that the account is kept, then, in a logical way?

**Mr. ROOSEVELT.** Yes; and then we would all be thinking in the same terms, instead of at cross purposes, as we very often do now.

**Mr. MADDEN.** Going back to where we left off a few moments ago, if you give the President of the United States authority to correlate the activities of the departments, and through the organization that he would surround himself with he was able to supply himself with sufficient information to decide questions of policy in the departments, you would make it necessary for the organization with which you supply him to go into the departments and ascertain the needs of each department, would you not?

**Mr. ROOSEVELT.** I think so, absolutely, on the same basis illustrated by going one step down the line. The President has under him a great many departments, the Secretary of the Navy has under him a great many bureaus that carry out different kinds of work. The one lack of the Secretary of the Navy at the present time is a proper inspection system under him. The only way that the Secretary of the Navy or I can find out anything about the workings of the Navy Department is to go to the bureau chief in charge of that particular kind of work and ask him to report on his own work. Now, that is wrong. It is wrong in principle.

The Secretary of the Navy and I should have a small, compact inspection force, directly under our orders, that we could send first to one bureau and then to another, with authority to go into anything in that bureau that we desired and dig out the facts for us, we being responsible.

In the same way, in my judgment, that principle applies in the case of the next higher step, the President. He ought to have, probably, through his budgetary organization that has been suggested, the right to carry on inspection in any branch of the Government that he wanted to with a report directly to him.



Now, of course, that would be considered possibly a reflection on Cabinet officers, but it ought not to be. It is just common-sense business.

Mr. MADDEN. It is not any reflection on a Cabinet officer to have the President give him directions about policies, is it?

Mr. ROOSEVELT. Not at all; but I mean the President ought to have it in his power to say to his budget man, "You go over to the Navy Department and dig this, that, or the other thing out for me." That man ought to have the right to go into any room in the Navy Department that he wants without going to the Secretary of the Navy.

Mr. MADDEN. Do you mean to tell me the Navy Department has no such organization as you mention?

Mr. ROOSEVELT. We have no such organization.

Mr. MADDEN. Why not? Is not that the fault of the Navy Department?

Mr. ROOSEVELT. Yes; I think it is. I have advocated it for a long time.

Mr. MADDEN. It could not be the fault of the Congress.

Mr. ROOSEVELT. It is the fault of the bureau system that exists in the Navy Department and has existed since the year 1.

Mr. MADDEN. Is it not within the power of the Secretary of the Navy to make such a recommendation to Congress?

Mr. ROOSEVELT. I think it is.

Mr. MADDEN. Has he ever made any such recommendation?

Mr. ROOSEVELT. No; I believe one of the chief reasons is that the Navy Department is operating under this antiquated bureau system where the chief of the bureau is responsible to Congress under the law for the expenditure of the money. He is not responsible to the Secretary of the Navy. Now, that is a very curious fact that is not very generally appreciated.

Mr. MADDEN. Well, is that true?

Mr. ROOSEVELT. That is absolutely true. In the annual appropriation bill you give so much money to the Bureau of Construction and Repair. Admiral Taylor, under the law, as the chief of that bureau, is responsible to Congress.

Mr. MADDEN. And who appoints him?

Mr. ROOSEVELT. He is appointed by the President, by and with the advice and consent of the Senate.

Mr. MADDEN. But he is appointed upon the recommendation of the Secretary of the Navy?

Mr. ROOSEVELT. Indirectly, yes.

Mr. MADDEN. Now, has the Secretary of the Navy no jurisdiction over that man?

Mr. ROOSEVELT. Only this: He has a certain amount of jurisdiction over him, but through the force of custom the bureau chiefs in the Navy Department and in the other departments resent and always have resented any curtailment of what they consider their powers given them by Congress to spend this money. Of course, the Secretary can direct that this, that, or the other sum shall not be expended.

Mr. MADDEN. Suppose the Secretary of the Navy does not agree with the policy that is being followed by a chief of a bureau. Should

he not have the right to ascertain what exactly is being done by this chief and then call the chief in and tell him what his policy is?

Mr. ROOSEVELT. Oh, yes.

Mr. MADDEN. Has he got that right?

Mr. ROOSEVELT. He has the right. He has not got the money.

Mr. GARNER. He has this right, Mr. Secretary, in the case illustrated. He can take Admiral Taylor from that work and assign another officer to it?

Mr. ROOSEVELT. Yes; if it came to a crisis.

Mr. GARNER. Yes; if it came to a point where Admiral Taylor was not conducting the bureau to the satisfaction of the Secretary of the Navy he could remove him and assign another officer to that work.

Mr. ROOSEVELT. That is true, if you come to a definite case of that kind. The difficulty is, though, that when the average Secretary of the Navy and Assistant Secretary come into the office they are pretty new at the game, and are saddled with a system; they work along with that system for a while while they learn about it, and the chances are that during a short term of office they will not make any change.

Mr. BYRNS. Does not the bureau head have to come to the Secretary of the Navy or the Assistant Secretary of the Navy as to expenditures in order to get your approval?

Mr. ROOSEVELT. Yes; they have to come up for our approval, but they are directly responsible to Congress.

Mr. GARNER. What do you mean by directly responsible to Congress? I do not get that at all.

Mr. ROOSEVELT. There is legislation on that. Do you know [addressing Commander Auld]?

Commander AULD. There is legislation that imposes on officers in charge of bureaus the obligation to keep within the limits of expenditure, etc.

Mr. GARNER. Of course there is a general statute which requires you not to create a deficiency. I understand that, but just how the head of a bureau is responsible directly to Congress, I do not get in my mind.

Commander AULD. He usually has to explain his estimates.

Mr. GARNER. You mean they are sometimes here for the purpose of telling the committee what are the necessities of that bureau?

Commander AULD. Yes.

Mr. GARNER. Oh, yes.

Mr. ROOSEVELT. More than that.

The CHAIRMAN. The Navy Department is requested to come before the appropriations committee when their items will be reached, and the Secretary or the Assistant Secretary designates who shall come before the committee. The Secretary and the Assistant Secretary might take that stand, but there is nothing in the law that requires a bureau chief to come before the committee.

Commander AULD. I think perhaps Mr. Roosevelt is substituting for the authority of the bureau chiefs the internal situation; that is, the money falls under the authority of the bureau.

Mr. ROOSEVELT. Yes; the money falls under the authority of the bureau. For instance, if we want to buy something connected with

the equipment of a ship, while it can, under the appropriations of the different bureaus, come out of three or four different kinds of appropriations, each bureau chief when called on will say, "I don't think it ought to come out of my bureau." He wants to save his money for something else. "Let it come out of some other bureau." And the result is some friction in the expenditure of the general bureau funds in regard to small items.

Mr. MADDEN. Well, there is no way to obviate that except for the Secretary of the Navy to say, "This is what is going to be done." is there? That is a matter of administration?

Mr. ROOSEVELT. Yes; it is a matter partly of administration.

Mr. MADDEN. It is not a matter of legislation?

Mr. ROOSEVELT. I wish you would let me look up that subject. We all feel in the Navy Department, quite frankly, that the present bureau system concentrates too much dog-in-the-manger policy on the part of each bureau as against every other bureau; that they are not all working sufficiently for the common end of the Navy Department, and that they are working too much for the particular good of their own particular bureau. And that has gone on through administration after administration. It has been the history of the department for 50 years.

The CHAIRMAN. The observations you are making are interesting, Mr. Secretary, but I do not believe that Congress or any of its committees have ever taken the view that the bureau chief was responsible to Congress, but rather that the head of the department was absolutely responsible for the administration of the department and the expenditure of every dollar that is spent by that department, and that the bureau chief owed his responsibility primarily to the head of the department rather than to Congress, and that the head of the department would be held responsible to Congress for the expenditures of any appropriations.

Mr. ROOSEVELT. That may have been the feeling on the part of Congress, but I think I am quite justified in saying that the feeling in the Navy itself is that the present bureau system creates friction because of the control—how much it is a legal control and how much it is a control of custom I do not know—of the different bureau chiefs, and tends to a lack of centralization.

Mr. MADDEN. I think the remedy for that is for the Secretary of the Navy to make a recommendation to Congress for legislation that will put him in control, if he is not in control, but I think he is in control without legislation.

Mr. ROOSEVELT. Well, the legislation that would come closest to putting him in control would be the right to transfer money from one appropriation to another with the consent of a committee of Congress.

Mr. MADDEN. I think that would be a very unwise policy.

Mr. GARNER. Take the yards and docks and construction, how does that appear in the books? Is that credited to the Navy Department or to a bureau?

Mr. ROOSEVELT. It is headed "Bureau of Construction and Repair," and then comes a succession of paragraphs under that main heading.

Mr. GARNER. Now, is that fund subject to requisition by the head of the bureau or subject to requisition by the Secretary of the Navy?

Mr. ROOSEVELT. It is subject to requisition on approval of the chief of the bureau and later on the Secretary of the Navy, but it must have the approval of the chief of the bureau.

Mr. GARNER. Yes; as an original proposition?

Mr. ROOSEVELT. Yes.

Mr. GARNER. But it must also have as a finality the approval of the Secretary of the Navy?

Mr. ROOSEVELT. Yes; but you do not skip approval of the chief of the bureau.

Mr. MADDEN. I think you ought not to. I think that is a matter of system that ought to be followed as a safeguard to the proper expenditures with a proper understanding. You could not have a proper understanding of the necessity of the expenditure if the bureau chief were not required to originate the matter, but the bureau chief can only originate and recommend. He can not execute without the sanction of either yourself or the Secretary of the Navy, can he?

Mr. ROOSEVELT. Yes; he can. The expenditure of money does not require under the law the actual approval of the Secretary of the Navy, as I understand it, except in certain cases. In other words, the bureau chief, unless he were limited by the Secretary of the Navy by executive order, could go ahead and spend the money.

Mr. MADDEN. The Secretary of the Navy has that power of limiting him, though?

Mr. ROOSEVELT. The Secretary of the Navy has the power to give the order to him.

The CHAIRMAN. It seems to me, Mr. Secretary, that you put your finger on the difficulty when you spoke of the custom of appointing a Secretary of the Navy or Secretary of War from civil life who, in the first place, knows very little about the details of the expenditures. He must rely to a large extent on the technical officers under him in the heads of his bureaus, and by the time he goes out of office he becomes himself an expert, but during his tenure of office he has had to rely to a large extent on the bureau chiefs, and that has a tendency to create in that official a position which Congress really never intended he should have.

Mr. ROOSEVELT. That is true. That brings up probably the best comparison I know of, and that is with the British system. It happens to work in England, where very much the same system does not happen to work in France. That is, a system of permanent under secretaries. Now in England, every department I think has a staff—some of them have only one but others have several—of permanent under secretaries, who are men who have come in there, perhaps through civil service or perhaps by direct appointment. They are appointed more the way judges are appointed; that is, because of eminent qualifications for the office. They hold the job during good behavior, and they are paid an adequate salary. In England I think they are paid as high as \$15,000 or \$20,000 a year. The cabinet officers, of course, in England, go and come with even greater frequency than they do here. The under secretary is a man responsible for the business running of the department. Now it

certainly works in England. I consider that while the general British business methods are inferior to the American, the business of the Government is on the whole a more efficient business machine than in our Government.

Now, take the other side of it—I want to be fair about it—in France they have a bureaucratic system; they have permanent under-secretaries, or whatever they call them; but there the business running of the Government is far less efficient than it is with us. It has fallen into what they complain of all over France—a bureaucracy, a permanent class in the community that always go in for Government jobs, father to son, right down the line. It does not work.

Of course, with us—take the Navy Department—out of the thousands of employees we have got here in Washington, a boy goes in there at the age of 19 or 21 as a clerk or stenographer or messenger, and if he lives to be old enough and has enough luck he will find open to himself about six or eight positions that pay \$2,400 a year and one position that pays \$3,000 a year. That is all he can ever look forward to.

Mr. CAMPBELL. No matter how efficient he is?

Mr. ROOSEVELT. No matter how efficient he is. There are positions you can count on the fingers of both hands, and that is all, that pay over \$2,200 a year. That is the top.

Mr. TEMPLE. Mr. Secretary, do you lose many such men by outside corporations, business corporations, overbidding the Government?

Mr. ROOSEVELT. I would say offhand that we lose nine out of ten of the efficient men.

Mr. TEMPLE. By corporations outside overbidding the Government?

Mr. ROOSEVELT. Yes; and largely because they are men who seek outside chances, who have the initiative and ambition to get out. (Of course, once in a while we strike an extraordinarily efficient Government employee who is willing to stay in for the low pay, but it is the exception.

Mr. TAYLOR. Mr. Secretary, your belief is, then, that we need a law to compel, for instance, the Navy Department to be more economical and less extravagant?

Mr. ROOSEVELT. I think you need a different system.

Mr. TAYLOR. I understand; but is it not true, now, that the Secretary and Assistant Secretary and different officials can get together and see whether you are spending too much money or whether you have too many employees? Could you not do that? Now, if the Secretary of the Navy and the officials of the Navy really want to cut down appropriations for the Navy, could they not do it now without any law?

Mr. ROOSEVELT. They could not do it now unless Congress went halfway at the same time.

Mr. TAYLOR. Congress has been going more than halfway, because you will notice for the last 10 or 15 years Congress has cut down the estimates for the Navy Department on their different programs hundreds of millions of dollars.

Mr. ROOSEVELT. It is not a question of the total figures of estimates, whether they are cut down or increased.



**Mr. TAYLOR.** Then why can not the officials of the Navy Department eliminate those things that are not necessary things which require appropriations which are not necessary? Congress can not do it unless we can get the proof from the Navy Department. Ninety-nine out of every \$100 of money that is appropriated for the Navy Department comes through demands of the Navy Department. Now, you tell us that you need so many ships to be built. Well, now, we do not know whether or not you need it. We must get it from you. You tell us you need so many hundreds or thousands of millions of dollars for this bureau. Why, Congress are not experts and are not in the bureau. Now, you must bring evidence down here, and you do bring evidence down here. You demand such an appropriation. The Appropriations Committee or the Naval Affairs Committee, with respect to your department, examines the officials who come down closely, with a view to reducing as much as possible. Now, why could not that be started right in the Navy Department? Take the repairing. Now, you come down and ask for so many million dollars. Congress does not know half as much about it as you gentlemen, and Congress must rely for the accurate information on you gentlemen. Now, if you ask for so many million dollars for repairing, if there is any cut that can be made in that where economy can be practiced in those estimates, where should the suggestion of economy come from? It should start with the gentlemen in the Navy Department. Now, why do you not have some system whereby you gentlemen will balance the accounts with the different bureaus and see whether or not you can eliminate this or that?

I am for a budget system, and the law now will not make you, and you gentlemen will not do it without a law, and I am for a law to make all the departments cut down to the bone. But it strikes me that the departments can do it now if they really want to do it.

**Mr. ROOSEVELT.** I think the departments undoubtedly could be improved by their own initiative. There is no question about that. But they would not get very far without new legislation.

**The CHAIRMAN.** Take the question, Mr. Secretary, with regard to promotions in the Navy. Is not that the fault largely of the naval policy that would bring in men in the naval service rather than taking civilians and providing for the promotion of civilians in the offices here in Washington? And as long as you have the policy that you are now maintaining of having those more responsible positions filled by officers in the Navy there is no opportunity given for the promotion of a man in civil life who grows up in the department?

**Mr. ROOSEVELT.** In answer to that, of course, the Navy Department, and the War Department also, are necessarily somewhat different from the other departments of the Government; that is, they are aiming at the proper carrying on of a military machine. Necessarily that is what we have them for.

**The CHAIRMAN.** I agree with you.

**Mr. ROOSEVELT.** That is, in case of war. That means that we must maintain in time of peace some semblance of the war method of doing things.

**The CHAIRMAN.** Yes.

**Mr. ROOSEVELT.** So that when we get into war there would not be a tremendous turn over in the method.

Now, you take the case of the bureau chiefs. I think the bureau chiefs, without question, ought to remain naval officers, and instead of giving that bureau chief, who has the rank of rear admiral, a chief clerk who gets \$2,400 a year, I should give him a chief clerk who gets \$5,000 a year.

The CHAIRMAN. And not have him a naval officer?

Mr. ROOSEVELT. No; I would have him a civilian, and I should have him a \$5,000 civilian instead of a \$2,400 civilian. I would have him a good business man who would be the close business adviser of that naval officer who is the chief of the bureau.

The CHAIRMAN. If you did that, would you not be confronted, right at the outset when you came to your appointments, with this situation: We will say here was Sam Smith, of New York. He was a very efficient man throughout the campaign. He knows how to handle that county and that district, and instead of taking John Jones, who was a hard-working, ambitious fellow and who had grown up in the service, and promoting him, you would take Sam Smith and put him in because of his political service. Is not that what too often happens?

Mr. ROOSEVELT. Oh, absolutely. But if we could, in getting these civilians in, do what we did at the outbreak of the war, which was to go out and get civilian experts, because they were experts, and not because they were Democrats or Republicans, and keep those men, we would do mighty well. Now, just take one or two examples, from the Bureau of Supplies and Accounts, which needed a transportation expert to handle the enormous shipments of materials of various kinds on the railroads of this country. They went out and got an excellent railroad man, one of the best of the younger railroad executives, brought him in there, and he did perfectly splendid service for two years. Of course, he is out now. We ought to be able to have that man in time of peace. I have not yet discovered whether he is a Republican or a Democrat. I have not asked.

Mr. TEMPLE. Mr. Secretary, are not those men developed in the business which goes on outside the department? What I mean to ask is this: Is there enough transportation business, say, within the department to develop a man who will be equal to the man whose sole business is transportation in connection with our railroad work, or will you not be under the necessity of always going outside in times of emergency to get men who have had the practical business training outside?

Mr. ROOSEVELT. Of course, as a general matter, I am in favor of civil service, but I think I have always felt that civil service is not always the final answer; that we should develop, through civil service, as far as possible, but where civil service does not provide the highest quality of efficiency, we should go outside.

Mr. TEMPLE. It cures certain abuses, but does not always create the highest efficiency?

Mr. ROOSEVELT. No.

Mr. MADDEN. Is there any encouragement to the men who come in through the civil service to feel that if they do develop ability there is a chance for them?

Mr. ROOSEVELT. Of course, now, there is no chance. The result is that most of the efficient men or men who are later on going to be efficient get out during the early days of their stay in Washington.

Mr. MADDEN. If they do not get out in the early days, they will not get out at all?

Mr. ROOSEVELT. Yes.

Mr. MADDEN. They get rusty.

Mr. ROOSEVELT. Get in a rut.

The CHAIRMAN. Now, Mr. Secretary, you feel that the establishment of the system which you have described will bring about some of these reforms and economies that are necessary?

Mr. ROOSEVELT. I think undoubtedly it will open the door to a great many changes which eventually are going to be made in the running of the United States Government. I consider the budget system as the entering wedge and I believe that 20 years from now those of us who are alive are going to look back on this period of running the Government as the dark ages, there are going to be so many changes, and I think the next great step is to put the Government on a business basis.

The CHAIRMAN. Will it not do this, Mr. Secretary—will it not bring right to the President's attention very soon after it is installed the inefficiency in a certain department, and that department then knows that it is on trial and that unless it can bring about the efficiencies that the President sees are necessary, there are likely to be some changes in the head of the department, and that that will produce a healthy condition and a desire on the part of the executive in each of the Executive departments to make his department a model for efficiency and economy?

Mr. ROOSEVELT. I think so absolutely.

Mr. MADDEN. Suppose we had an organization responsible to the Congress of the United States in connection with the organization which it is proposed to furnish to the President in case we pass this legislation, which enables him to ascertain in the first instance.

Mr. ROOSEVELT. You mean a sort of glorified investigating committee?

Mr. MADDEN. Through which the Congress might be informed through an auditor general or an organization under him of the lax methods employed in any department, wouldn't that have a tendency to make the head of the department defend his administration before the public; and, if it did, would not that cure the evil that you have suggested?

Mr. ROOSEVELT. Of course, that runs into the question of the prerogative of the legislative and administrative branches, as to how far the legislative branch should go in assisting in the conduct of the affairs of the administrative branch.

Mr. MADDEN. I do not mean to say we would assist in conducting them, but merely enabling us to get information to enable us to criticize and thereby compel the other men to defend.

Mr. ROOSEVELT. It seems to me that the creation of a budget system directly under the President, with a complete reform of the accounting system, would give Congress all the facts, in simple terms, that average laymen, as all of us are, could understand.

The CHAIRMAN. Would not Congress also get those facts through the establishment of the third step that you have described?

Mr. ROOSEVELT. The committee?

The CHAIRMAN. The committee.

Mr. ROOSEVELT. Yes.

The CHAIRMAN. What have you to say in regard to that?

Mr. ROOSEVELT. Well, I have very little to say in regard to that. because in the case of the Navy Department after the expenditure is made, of course, the audit is through the Treasury Department. It is out of our care.

Mr. CAMPBELL. Do you have an auditor in the Navy Department?

Mr. ROOSEVELT. We have an Auditor for the Navy Department.

Mr. MADDEN. Under the Treasury Department?

Mr. ROOSEVELT. Yes.

Mr. TEMPLE. But he is in the Treasury Department?

Mr. ROOSEVELT. Yes.

Mr. TEMPLE. Your accounts pass through his hands and then to the Auditor for the Treasury Department?

Mr. ROOSEVELT. No.

Commander AULD. He is primarily responsible to the comptroller.

The CHAIRMAN. But you have your administrative auditor in your own department?

Mr. ROOSEVELT. Yes; in the Bureau of Supplies and Accounts.

Mr. HAWLEY. Mr. Secretary, you have mentioned several times the necessity of legislation to accomplish certain reforms in the Navy Department. In such have you had in mind the establishment of a budget system?

Mr. ROOSEVELT. Yes.

Mr. HAWLEY. And additional legislation?

Mr. ROOSEVELT. Of course, if the budget system were not to go through, I would advocate a complete change in the wording of the naval appropriations bill, which is now handled by the Naval Affairs Committee, so as to make the language, as I stated before, conform to the Navy Department's system of accounting.

Mr. HAWLEY. That was the legislation you had in mind?

Mr. ROOSEVELT. Yes; that would be a kind of legislation which could be put through even if the budget system were not established. That would improve things.

Mr. HAWLEY. I thought you made some reference to legislation that would give the Secretary of the Navy greater authority in controlling his bureau?

Mr. ROOSEVELT. Yes; I have no definite recommendation on that except the broad theory that the Secretary of the Navy ought to have directly under him an inspection system.

Mr. HAWLEY. You explained that a moment ago?

Mr. ROOSEVELT. Yes.

Mr. CAMPBELL. What have you to say, Mr. Secretary, about the relative value of lump-sum and specific appropriations, with a view to securing economy and efficiency?

Mr. ROOSEVELT. I think the matter is best illustrated by the present form of that section of the naval appropriation bill which relates to public works in the navy yards. As I said before, we all know how the bill is worked out. First, general recommendations of the department that this building be put up in one place, and a fire system be put up in another place, and a water system in a third place, a sewer system in a fourth place. Those are our best guesses, nearly a year before the bill goes into effect. After it goes into Congress the Naval Affairs Committee holds long hear

ings and sometimes cut out what we regard as the more essential items and sometimes also tacks on items which we do not think are particularly essential. That, of course, is the old system of everybody trying to get what he can for his own district, frankly. And the result is that we are bound to carry out the times, item by item, whether when the time comes they are advisable or not. It prevents us also—it has a psychological effect—it prevents us from putting in a comprehensive plan for the development of the navy yards over a period of years.

Mr. MADDEN. Do you mean to state to the committee that you are bound to expend the money if it is appropriated, whether you consider it advisable or not?

Mr. ROOSEVELT. I think so, yes. For instance, the Naval Affairs Committee puts in a new item for a power house at Portsmouth, for example, or at New Orleans, that item not having been particularly pressed by the Navy Department. We feel that as long as we have got the money it will help out in that particular yard, though it is not very essential; we would much rather have the money to spend for some other purpose elsewhere, but as long as Congress has put it in we will build the power house.

Mr. MADDEN. You would rather do that when you know you do not need the improvements than to turn the money back into the Treasury?

Mr. ROOSEVELT. We have to; it is practically a direction by Congress.

Mr. MADDEN. It is not exactly a direction, is it?

Mr. ROOSEVELT. It comes pretty close to it, especially when we are coming up to Congress with the requests all the time.

Mr. MADDEN. We place the money at the disposal of the department with the right to use it in case the exigency demands it, but I would not think it would be incumbent upon the department to expend the money if the expenditure of it was that much waste.

The CHAIRMAN. Is it the impression of the Navy Department that it could not make good with Congress if it should come back and say: "Mr. Chairman, the last appropriation bill carried \$100,000 for a power house at Portsmouth. We saw that we could get along without that power house and have \$100,000 left." Do you think the committee would resent that?

Mr. ROOSEVELT. I think the committees, on the whole, would resent it if we did it very much.

The CHAIRMAN. I think, on the contrary, they would give you \$150,000 for some other work in some other place, wherever you suggested.

Mr. TAYLOR. But, Mr. Secretary, in the Naval appropriation bill such matters as you just mentioned, about the power house, the Naval Affairs Committee puts in itself, and you do not particularly demand, is that one-tenth of 1 per cent of the appropriation bill?

The CHAIRMAN. Oh, no.

Mr. TAYLOR. Is it one one-hundredth part of 1 per cent?

Mr. ROOSEVELT. Not in itself; but the aggregate of all those different items, building up this yard a little bit this year and another yard a little bit next year. What do you get? You get an inefficient yard.



Mr. TAYLOR. Take the appropriation of this fiscal year. I think we gave you several million dollars less than you asked for. Now, of that appropriation bill that became law, what will the items amount to that the Naval Affairs Committee put in over the protest of the Navy Department?

Mr. ROOSEVELT. They did not put in any over the protest of the Navy Department.

Mr. TAYLOR. Well, against the recommendation of the Navy Department, then.

Mr. ROOSEVELT. Of course, we have always been glad to get anything we could get.

Mr. TEMPLE. In view of what you said a moment ago, that the committee sometimes struck out items that you considered very important and tacked on, I think the phrase was, items you considered of no importance——

Mr. ROOSEVELT. Of very little importance.

Mr. TEMPLE. Do they tack on items very often?

Mr. ROOSEVELT. Almost every year.

Mr. TEMPLE. Do you find that ordinarily in the bill?

Mr. ROOSEVELT. There are generally in the bill a dozen items that we do not consider nearly as essential as others that they have stricken out.

Mr. TEMPLE. They are not found in the estimates at all?

Mr. ROOSEVELT. In some cases they are not found even in the estimates. Now, for instance, I will give you an example. Practically at the request of Congress about four years ago there was a board appointed to go around and look at all the Navy yards. The Navy Department did not want to appoint the board, but it was done because of pressure by Congress.

Mr. HAWLEY. Is that the Helm Committee?

Mr. ROOSEVELT. Yes; they went around to the different Navy yards and in their final reports they called for the expenditure of billions of dollars. That report I consider one of the most dangerous reports that has ever been made. They recommended the building up of every yard that we now have, the creation of a great many other yards that we haven't got; practically every locality that wanted naval activity got a favorable report from the Helm board, and a good many items since then that have actually gone into the appropriation bill Members of Congress have used the Helm board report as an argument for putting those items in. Now that is highly dangerous.

Mr. TEMPLE. And they have gone in without having been in the estimates?

Mr. ROOSEVELT. They have gone in without having been in the estimates.

Mr. TEMPLE. It is just such items as that——

Mr. ROOSEVELT. There are not many of them and the total is not very large, but it is the wrong system. It is demoralizing.

Mr. KITCHIN. In preparing your estimates, do you not as a matter of fact pad them in anticipation of a cut by Congress?

Mr. ROOSEVELT. No; I do not think that is done; we have been very careful on that for this reason. In preparing the estimates, we first the estimates of each individual yard and command. They g

to the bureau and the bureau knows that it can not get by the Secretary or me with the total asked for by the different yards. They, therefore, cut out a very large percentage of the items. I think you will find that they cut fully 50 per cent of the items asked for by the different yards. They then make up their own estimates. Those are submitted to the Secretary and to me. We in turn cut down those bureau estimates just as low as we possibly can, very often running contrary to the wishes of the officers, and those estimates, as they finally go to Congress, are the best judgment of the Secretary and myself of the lowest amount we can get on with.

Mr. MADDEN. On what basis do you base your cuts?

Mr. ROOSEVELT. The best knowledge we have, as far as we can get it.

Mr. MADDEN. You have not any means of getting personal knowledge, if I understand you right, except what you get through the head of a bureau?

Mr. ROOSEVELT. That is all, and our own observation—general policy.

The CHAIRMAN. Do you ever permit the inclusion in a Navy Department estimate of an estimate for some work that is really not needed for military or naval purposes in order to secure the support of some member of the Naval Affairs Committee or of Congress for the rest of the bill?

Mr. ROOSEVELT. No; I would not put it that way.

The CHAIRMAN. What way would you put it?

Mr. ROOSEVELT. I would say, rather, occasionally when the hearings before Congress are on, and it is evident that a certain individual or certain individuals can be won over by our assenting to the inclusion of certain new items that sometimes that assent is forthcoming.

The CHAIRMAN. If there were some way by which knowledge of all those facts could be brought before Congress, I think the Members here would guarantee you that the provision to which you gave assent would not receive the assent of Congress as a whole.

Mr. HAWLEY. You do not mean to leave the impression with us here that you gave your assent for useless or extravagant expenditure of money out of which no public good could come.

Mr. ROOSEVELT. No; I would not put it as strong as that, but we sometimes give assent to items that we do not consider nearly as necessary as other items.

Mr. TEMPLE. Mr. Secretary, I am impressed not only with what you say, but with what many others say, and we all know that one of the principal benefits that will come with the inauguration of the budget system will be to throw light on the necessity of the complete reorganization, if that is not too strong a phrase, of the bureaus, and then also we are told the complete reorganization of Congress, so that it means a complete reorganization of the whole Government of the United States?

Mr. ROOSEVELT. Eventually. I go just as far as that.

Mr. TEMPLE. That being the case I am of the opinion that we will not get it done in a week or two.

Mr. ROOSEVELT. No.

Mr. TEMPLE. That it is not as simple a problem as is sometimes said.

Mr. ROOSEVELT. It is a tremendously complex problem.

Mr. TEMPLE. Very.

Mr. ROOSEVELT. But I believe that the adoption of the budget system is going to be the entering wedge on which these changes can be gradually built.

Mr. TEMPLE. I agree with you.

Mr. ROOSEVELT. Now, the very first step of the budget system would be the simplification of the accounting system in the departments. The second step perhaps, if one can look ahead, would be finding out how the different departments were duplicating each others' work, and so on. Now, those steps, as we know the history of the Government, are bound to come slowly. You probably will not get those two steps in the same year; it may take four or five years to get those two steps through. After those steps some other steps. But I can not help feeling that the budget system is the entering wedge.

Mr. TEMPLE. And it is the information on which these changes may be based?

Mr. ROOSEVELT. Yes. Just in the same way, if I may be permitted to say it, I think a great many Members of Congress have exactly the same view; the change in the present system of committees of Congress is bound to come sooner or later for good business.

Mr. MADDEN. Would you have one committee pass on all the appropriations or do you think it would be wiser to continue the several committees that now have jurisdiction over them?

Mr. ROOSEVELT. Well, that is not at all in my province, but I should say that there should be a central committee to pass on the entire budget, but that perhaps the different subdivisions of that budget could be passed upon by separate committee in the first instance. In other words, the Ways and Means Committee, or the Appropriations Committee could be the final one to pass on the whole budget, but the Naval Affairs Committee should first look into all the naval items in the budget and report to the central committee.

The CHAIRMAN. The same object might be accomplished if you had in the central appropriating committee a subcommittee, some of the members of which should also be members of the Naval Affairs Committee?

Mr. ROOSEVELT. Yes.

The CHAIRMAN. Have you anything further to say?

Mr. ROOSEVELT. I would like, if I might, to leave two copies of a pamphlet on naval appropriations, which was written by Capt. Conard, of the Supply Corps, which is, in my judgment, the best exposition of the Navy Department appropriation bill and the accounting system that has ever been written. There is a very interesting chart in the middle of this that shows the distribution of naval appropriations to the basis of expenditure. You will see from a glance that that chart shows how perfectly hopeless the present situation is. That is the most illuminating thing that has ever been written.

Mr. TAYLOR. Mr. Secretary, the seven or eight million dollars you took of the Naval Affairs Committee this year, if you had your system of the budgetary as a statute now, how do you think you

could reduce those estimates, or would you have reduced them when you sent them to the Naval Affairs Committee?

Mr. ROOSEVELT. I could not answer that, based on a complete——

Mr. TAYLOR. Let me tell you the trouble we find, that these heads of departments, each one of them is getting along just as economically as possible from his standpoint, and it is the other department that is extravagant in spending the money. No doubt you think, and are honest in it, and perhaps you are right about it, that your department asks for exactly what it thinks it absolutely needs and no more. Another fellow's department asks for exactly what he thinks he needs and no more. So I want to know from each one of these gentlemen who appear on behalf of a department how much he thinks he would have saved if he had the budget system?

Mr. ROOSEVELT. Let me put it this way: I do not for a minute claim that the Navy Department is more efficient than the other departments. I know nothing about the relative efficiency.

Mr. TAYLOR. Each one thinks it is the most efficient.

Mr. ROOSEVELT. But I can say that the Navy Department, if you institute a budget system and assume that no work done by other departments is transferred to the Navy Department and that no work now done by the Navy Department is transferred to other departments; in other words, if we continue to do our same work, if we get a reorganization in our own department through this budget system, a new accounting system and a more efficient personnel, based on better pay and ridding us of certain ridiculous restrictions we are now under, I would come pretty close to guaranteeing a 20 per cent decrease over the present cost.

Mr. TAYLOR. What is one of the restrictions in law that tends to make you less economical?

Mr. ROOSEVELT. Civil service, as conducted.

Mr. TAYLOR. I thought that was about the acme of perfection.

Mr. ROOSEVELT. We do not pay the people enough, number one; we haven't got——

Mr. TAYLOR. Right there. You mean to say you would get clear of some of the men now and put in other men?

Mr. ROOSEVELT. Yes.

Mr. TAYLOR. You have inefficient men?

Mr. ROOSEVELT. Yes. Number two, people at the present time under civil service go up too much by seniority instead of by efficiency.

Mr. TEMPLE. So that their chief concern is to avoid mistakes rather than to accomplish results?

Mr. ROOSEVELT. Yes, sir.

Mr. GARNER. They are not promoted that way as a matter of civil-service law, are they?

Mr. ROOSEVELT. Yes.

Mr. GARNER. That is really a matter for each department to consider when it comes to promoting civil-service employees.

Mr. MADDEN. If you had a man senior to some other man in a very important position who was filling that position with great efficiency, and you were satisfied that promotion of that man to the next step higher would involve putting him into a position that he was totally unfitted for, you would do it in the present status?

Mr. ROOSEVELT. No; you would not do that, but, on the other hand, at the present time, if we thought that a man in that position was not fitted for promotion to that next step, we would keep him on just where he is.

Mr. MADDEN. They do that in business.

Mr. ROOSEVELT. They do it to a certain extent in business, yes; but they get rid of a whole lot of men that are deadwood or else demote them.

Mr. MADDEN. What I am getting at is this. It frequently happened in my experience that we had a man at the head of a division of our business who was perhaps the best man who could be obtained for the place he occupied, but it was apparent from experience that if he was promoted to a vacancy, the step next higher up, we would lose two good men; first, we would lose the man that we promoted out of the position that he occupied, where he was very fit, and we would not have the service of a good man in the position that we would promote him to, for which he was totally unfit; and of course we never did it. It might be doing injustice to the man who was kept in such a lower position, but it was the only way to do business, and we never succeeded in business in any other way. Why does not the Government do it that way?

Mr. ROOSEVELT. Because there is a tendency here, under the civil service, where people do not get enough pay, for the most efficient to get out, and the tendency is to promote by seniority, and never to take the drastic step of promoting one man over another man's head.

Mr. MADDEN. I remember talking with Marshall Field, who was recognized as a prince of merchants, and one of the most successful business men in America, and I recall his telling me this about a man I knew very well. He said, "There is the best man we ever had in that position he occupies. We have a vacancy in a position higher up. If we promoted this man to that position we would have to discharge him in the course of a week or two; and we could not send him back to the position he now occupies, because that would humiliate him; so that we would lose him." It is possible, it seems to me, for the heads of the departments of the Government to exercise that same sort of discretion, but perhaps they may not be permitted to do it under the civil service policy, and if they are not, then the civil service policy ought to be changed.

Mr. ROOSEVELT. It is more because of the system and the rut we are all in.

Mr. MADDEN. Of course you do not have to get profits.

Mr. ROOSEVELT. No.

Mr. MADDEN. So that you do not have to exercise the same discretion in the promotion of men to the places for which they are best fitted as you would if you were engaged in business where you absolutely had to get financial results.

Mr. ROOSEVELT. Absolutely, that is true; but I believe that can be in part overcome by creating this budget system which will give the President an inspection system. There is literally nobody in the United States to-day, except occasional investigating committees of Congress, that can put, or that does put, any check on the Navy Department or on any other department. The Secretary of the Navy and myself are practically laws unto ourselves, so far as our control



from above is concerned, and that is wrong. The President ought to have someone who could come into my department at any time and see how I am running it, for his own satisfaction. It helps a lot.

Mr. HAWLEY. He could do that if he chose now, could he not, if he had the time?

Mr. ROOSEVELT. I do not think he has the money to appoint anybody to do that.

Mr. KITCHIN. Suppose the President has a Cabinet meeting to go over estimated expenditures and income for the ensuing year and finds that his income from all sources amounts to \$5,000,000,000. The Secretary of the Navy wants a \$700,000,000 program, the Secretary of War wants a \$900,000,000 program, another Secretary wants so many millions, and so on, until the total amounts to \$2,000,000,000 more than the total estimated income, could not the President say, "Mr. Secretary of the Navy, we have to come, if possible, within this \$5,000,000,000 of income. You go over your program and eliminate a \$100,000,000 or \$150,000,000." Suppose he said the same thing to the Secretary of War and the other Secretaries. Would you not have officials in the Naval Establishment who could cooperate with Secretary Daniels and yourself in determining how to do that? If you could not do it, how could any experts outside of the Navy be expected to do it?

Mr. ROOSEVELT. The President has not anybody, at present, to investigate the details of all the different items.

Mr. KITCHIN. But he could make you and the Secretary of the Navy do it yourselves, and the Secretary of the Navy could make all his bureau heads do their part.

Mr. ROOSEVELT. How is the President to know how much the Navy is to be cut down?

Mr. KITCHIN. He is going to tell you and Secretary Daniels to do it.

Mr. ROOSEVELT. How is he going to find out?

Mr. KITCHIN. You are going to bring the estimates from every quarter of your department together and will have all the figures. How could an expert, outside, who knew nothing whatever of the Navy's necessities, help you in that, except in cases of duplications, which would not amount to a great deal. Have you not expert accountants in your department?

Mr. ROOSEVELT. No; there is no difficulty in cutting down from \$800,000,000 to \$500,000,000 if we are told to do it.

Mr. KITCHIN. I believe you could do it without destroying the efficiency of the department.

Mr. ROOSEVELT. We could do it according to our judgment, whether it destroyed the efficiency of the department or not. But what I am talking about is higher up. No President of the United States, as an individual, has time to coordinate the hundreds of items of the different departments before they are sent to Congress. He must have some other person who can do that for him.

Mr. KITCHIN. Could not the Secretary of the Treasury do that?

Mr. ROOSEVELT. No; because the Secretary of the Treasury is an independent department official with independent functions of his own.

Mr. KITCHIN. Suppose you were to require the different Cabinet officers to get together and work out a program to be laid before the President? We have a law requiring that very thing. Has it been done?

Mr. ROOSEVELT. That would be the budget system.

Mr. KITCHIN. We have a law that the Secretary of the Treasury must submit the estimates to the President. It seems to me, with all the powers of the officers in the different departments here, he could require them to get together and coordinate their estimates.

Mr. ROOSEVELT. Let me give you a practical example.

Mr. KITCHIN. You have suggested the right idea. We should put the responsibility just where you said it belonged.

Mr. ROOSEVELT. I think it ought to be done now.

Mr. GOOD. Under the present law the President has the power and is charged with the responsibility.

Mr. ROOSEVELT. Yes; but he has not got the physical time or the machinery for carrying it out. He has merely the power to do it, but not the means.

Mr. TEMPLE. The sum total of the items and the sum total of the probable income are furnished by the Secretary of the Treasury and are printed on the last page, previous to the appendix, in the Book of Estimates.

Mr. ROOSEVELT. Yes; but suppose we take up that supposition of the revenue being exceeded by the proposed expenditures by \$2,000,000,000. The President would say to the heads of the departments, "I find that you gentlemen of my Cabinet have run over by \$2,000,000,000. You have got to make cuts that will bring this down: \$2,000,000,000 so that we will not create a Government deficiency." Then he would say, "Now, Mr. Secretary of War, how much can you cut out?" Well, you would begin right there a discussion that would take weeks, if you did it in that way.

Mr. KITCHIN. If I were the President, it would not. If I wanted to come within that \$5,000,000,000 I would say "Each of you cut down 25 per cent and bring me an estimate of 25 per cent less in total, and let us see how much efficiency of the Government you will destroy or impair." I would want no mistake about that. The trouble is that every one of the departments—under both the parties—wants to expand and does not want to contract. Each head wants to preside over a bigger department, and each one wants to put in new activities, so that they can point back and say, "Secretary So and So instituted these improvements and this activity." I think this committee wants some kind of a system to put the responsibility to initiate these things up to the Executive. If you give him the machinery, he can do it.

Mr. ROOSEVELT. I agree that the President has the authority, but lacks the machinery.

Mr. KITCHIN. And of course you can increase it if you want to; but first of all the responsibility is to be on him to initiate and submit to us, and then Congress can examine, as they do before the appropriations committees, the different heads of the departments and others, and they can use the pruning knife, or can increase it sometimes; but they will know, first, where these estimates or the demands for appropriations start, and then if increases are made.

the responsibility for the increase will be in Congress. I do not know about the practical working of it.

Now let me ask you this. What part of the total appropriation for the Navy is expended for munitions, men, and officers of the Navy, and the building of ships? Practically all, is it not?

Mr. ROOSEVELT. I wish I had the bill. I could tell you in a very short time.

Capt. AULD. Of the Navy?

Mr. ROOSEVELT. Yes.

Capt. AULD. I have it here.

Mr. ROOSEVELT. Pay of the men and feeding of the men?

Mr. KITCHIN. That is what I want to get at.

Mr. ROOSEVELT. Yes.

Mr. KITCHIN. That is fixed by Congress.

Mr. ROOSEVELT. Their pay and their food you can not save much on.

Mr. KITCHIN. Now then, munitions you must have. Now, when you get to the building of ships, you might be helped some.

Mr. ROOSEVELT. On pay of the Navy you will find that you are not going to save much money. Even if it costs much, you ought to have the most efficient men. If you can not get them for the present pay, you ought to give more. But that is really very little compared with the real dollars and cents saved out of the other items in the appropriations.

Mr. KITCHIN. Let me call your attention to this. When we get back to anything like normal, more than two-thirds, at least three-quarters, of all the taxes we collect, if the present program for peace goes out now, military and naval—three-quarters of every dollar we collect in taxes from all sources—is going to the payment of interest on war debts and for pensions and bonuses, etc., for soldiers and sailors. Now, if we are going to lighten the taxes, if we are going to have any real economy in normal times, those economies must come mostly from the Navy and War Departments. The interest on the public debt is fixed and we can not cut that down; and we can not cut down the pay of the officers and enlisted men in the Army and Navy.

Mr. GOOD. Is there anything further?

Mr. ROOSEVELT. If I might, I would like to submit a memorandum and the appendix to it, by Commander Auld, of the Supply Corps. It is in relation to the general scheme of the budget and the specific method for the control of funds, and second, the appendix, taking up the methods of controlling the expenditures, and the methods of approving the estimates. I think there is a great deal of meat in this memorandum.

Mr. GOOD. Would you like to have that appear as a part of your statement?

Mr. ROOSEVELT. I would like to have it appear as a part of my hearing.

Mr. GOOD. Mr. Secretary, we are very much obliged to you for your statement, and are glad to have this viewpoint from one of the executive departments. It has been interesting and helpful.

(The statement presented by Commander Auld is here printed in full in the record, as follows:)

OCTOBER 1, 1919.

MEMORANDUM FOR MR. ROOSEVELT RE BUDGET.

There are two principal phases of the budget matter, i. e. first, the general scheme, which is largely a matter for Congress and the President to consider rather than for any one executive department to recommend, unless possibly the Treasury Department, excepting in certain particulars mentioned below; second, the specific methods to be adopted for the improvement in estimates and better control of expenditures, a matter in which each department is greatly interested. This phase naturally follows from the general principle underlying the idea of a budget, which is economy. But whether the general scheme of a budget is adopted or not, it is highly important that attention be given to this second phase.

1. *General scheme.*—(a) The annual preparation by the Executive of a consolidated program of expenditures, with a revenue plan to meet it. This involves the creation of a budget office under the Executive and also the self-denial by Congress of the power to initiate appropriations. In the matter of a budget office, it is necessary that consideration be given to the question of how much authority should be given that office to modify the estimates recommended by a particular department. In respect to the cutting off of the power of Congress to initiate legislation involving expenditures, the interests of individual departments are involved, as a consistent program of development in any one department can probably be best carried out if not supplemented by additional appropriation legislation initiated in Congress, particularly if the total funds for the use of the department are restricted.

(b) Review of the financial program by Congress preliminary to passage of the annual appropriation and revenue act embodying it. This probably involves transfer of the cognizance of appropriations in Congress from several committees to one. The interest of any individual department in this feature is as to whether the needs of the particular department, for example the Navy, would be as well met by having its program considered by a central committee rather than by a naval committee. This is perhaps one of the concessions that should be made for the general good.

(c) A centralized audit office. This is not a matter which particularly concerns any one department unless it be the Treasury.

(d) With respect to a possible phase of the budget plan which would affect internal accounting methods of the various departments it does not appear advisable to clothe the budget office or any other central office with authority to regulate internal accounting methods in detail. If Congress indicates the general heads under which expenditures and estimates are to be reported, the departments should be intrusted with the details whereby the information will be assembled. Any external control of internal methods would cause confusion. Each department has its own special problems to work out and it can probably work them out better by itself. Standardizations of details between departments is impossible.

2. *Specific methods of control of funds.*—It is important that the Navy come forward with a constructive plan on this point suitable to its needs. The general theory of revising the heads of estimate and expenditure to the plan of accounting headings submitted by Capt. Conard is sound in principle, as the present accounting classification is a fundamental one, which is not true of the clauses of the appropriation acts.

As a practical means of securing its adoption without trying to rewrite the phraseology of all the appropriations and thus opening up the question of cognizance of work of the various bureaus the method which I proposed in S. and A. letter of the 18th of September deserves, I believe, serious consideration. By this method practically all of the benefits will be obtained without the disadvantages of making it a matter of internal controversy. The phraseology of the acts will be retained, but all estimates and analyses will be made under the accounting classification and, with certain exceptions, all appropriations under any one bureau will be consolidated under one lump sum, based on the detailed estimates. Both the change in the method of estimating and the reduction in the number of appropriations are matters of great importance to proper control.

In addition to the consolidation of appropriations and the establishing of heads of estimate to fit the logical headings under which expenditures are compiled, there is a third matter of great importance in connection with

proper estimating, which is to change the end of the fiscal year to March 31, so that annual estimates can be prepared with the complete information at hand of the expenditures of the fiscal year just closed.

A memorandum on these three points is attached which might be inserted in the hearings.

G. P. AULD.

FRIDAY, OCTOBER 3, 1919.

**STATEMENT OF HON. FRANK W. MONDELL, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF WYOMING.**

The CHAIRMAN. Mr. Mondell, quite a number of bills and resolutions dealing with legislation for a proposed budget have been referred to this committee. The committee has confined its hearings largely to a discussion of general principles, but we should be very glad to hear from you on either general principles of sound budgetary legislation or upon the details of the bills which have been introduced, whichever you may desire.

Mr. MONDELL. Mr. Chairman and gentlemen of the committee, there is nothing before this Congress more fundamentally important than the question of a budget. We have, all of us, realized from the very beginning of our service in Congress the faulty nature of our policy and practice in the matter of estimating and appropriating.

We are all of us in favor of budget legislation, I am sure. There is a very great deal of sentiment for it in the country. I am very greatly pleased that we have finally secured a budget committee and a budget committee constituted of men of long experience in Congress and of sound judgment, and I am very confident that you will recommend to the Congress wise and sound legislation on the subject.

I am not a budget expert and do not want to pose as such. While I have had a good many years of experience in Congress and have thought much on matters that pertain to a budget and relate to budgetary legislation, I have never made a special study of it. This, I think, we should bear in mind in connection with this legislation, as we shall if we are wise in connection with all legislation, that we make the best, permanent progress when we move along evolutionary rather than revolutionary lines. I do not imagine there is a man who has had long congressional experience that could draw a complete budget bill containing all of the details of legislation providing for a complete budget system which he would be entirely satisfied with after he wrote it, or which he would be willing to approve in toto without reservation. There is no such thing known under Heaven among men as a perfect budget system. England made the earliest and the best progress toward the establishment of a budget system and is dissatisfied with its system now. There is very considerable agitation going on over there relative to modifications of their budget system.

Some people who have given the matter superficial study and consideration seem to have jumped at the conclusion that a perfect system, a system which can be recognized as perfect, can be evolved at one sitting, and some folks probably imagine there is such a system in operation somewhere, but if there is, I do not know where it is.

Manifestly, the systems that are in operation in countries having a responsible ministry, however perfect they may be—that is, how-



ever perfectly they may be adapted to their conditions, are not systems which we could adopt, not systems which would work under our plan of Government, though, of course, there are such general principles that underlie all budget systems that would apply in the United States as well as in England, France, or Italy. In our country where the executive departments are in law and in fact entirely separate and distinct from the legislative branch, we can not adopt a budget system simply because it is satisfactory, proper, and wise where a branch of the legislative body furnishes the responsible executive government. If the Cabinet was, in fact, directly responsible to the House of Representatives, largely drawn from it, answerable to it, dependent for its tenure upon it, we could have a budget system similar to that of England or France; but with an Executive entirely independent of the Congress and at times, and at the present time, of a different political faith, the situation is radically different, from that which would exist in a country having a ministry responsible to the House.

In such a country the matter of a budget is a comparatively simple thing. The responsible ministers who make up the budget are in our sense a committee of the Parliament. It is as though a committee of Parliament made up the budget and then referred the budget to itself, for the budget as finally made up under, is made up by, the representatives of the responsible majority, which eventually passes upon it.

The situation is very different with us, because even when the Congress and the administration are of the same political party, those who have to do with the framing of the budget are in no wise responsible to those who pass upon it, and it matters not how much the House of Representatives might disagree with the propositions of the budget as a whole or in part, that disagreement would have no effect upon the attitude or tenure of the gentlemen who proposed it. They would continue to hold their offices and exercise their authority whether we approved their budget or not, and without regard to how much we changed or modified it. Whereas, on the other hand, in England, if a budget fails the Government that makes the budget fails, and a new budget is drawn by the representatives of what then comes to be the majority.

I realize I am stating nothing new or novel to you folks. I am simply reciting these facts in order to emphasize the importance of thinking of budget legislation and working out budget legislation from an American standpoint rather than from the standpoint of England or France or Germany or Italy.

Mr. MADDEN. How would you describe what the American standpoint is; that is what we would like to know?

Mr. MONDELL. If you were a committee of the Parliament and were providing budgetary legislation, you would simply be providing legislation under which those associated with you and agreeing with you would, first, propose a budget which you and those who agree with you finally pass upon. Whereas, what you are proposing to do, as matters now stand, is to provide budgetary legislation which to control an administration, for the present differing in politics with a majority of the Congress that provides the legislation and differing quite radically from a majority of the Congress in its views of the character of the legislation; for instance, with which

the needs of the Nation are to be met in the raising of revenues. You are providing legislation affecting the acts of an administration that might have very different views relative to expenditures than those held by the majority, as well as widely different views as to the method of raising revenues to meet the expenditures suggested by the budget estimates.

**Mr. HAWLEY.** Mr. Mondell, in the ordinary course of affairs, outside of war times, whether the Executive is of the same faith as Congress or not, Congress changes but little the estimates submitted by the Executive except to reduce the estimates and adds comparatively little to them.

**Mr. MONDELL.** I did not catch that.

**Mr. HAWLEY.** I say that in ordinary times the Executive submits the estimates of appropriations, and the appropriation bills are based on those estimates, and Congress changes them only in very small percentage from the estimates originally submitted by the departments, except with the exception of reductions. They add but comparatively little to the appropriations suggested by the Executive.

**Mr. MONDELL.** That is a very important fact that seems to have been entirely overlooked and forgotten or never discovered by many folks who talk about budget legislation. Some of the budget experts I have talked with start in with their discussion of a budget from an altogether erroneous view of the facts or with a misunderstanding of the facts. Many demands for budget legislation are bottomed on the proposition that Congress needs to be controlled, needs to have a curb or check put upon its alleged extravagance. It is alleged that Congress runs wild—is tremendously extravagant, prone to so-called pork-barrel appropriations, and needs curbing in order that a conservative administration may hold down expenditures.

The fact is that under every administration I have known—and there has been but little difference with administrations as they have come and gone, with one marked exception, that of President Taft—the estimates have always run far beyond the appropriations; and if Congress had appropriated the amounts that have been estimated, the public debt would have been several times what it was at the outbreak of the war or our Federal taxes would have been very much heavier.

**Mr. MADDEN.** Do you think the fact that one branch of the Government is of a different political faith from another branch of the Government has really anything to do with the merits of a budget system as it affects the American people?

**Mr. MONDELL.** Before I answer that, will you allow me to amplify a little the thought that has been raised by the gentleman from Oregon?

I had a talk with the chairman the other day, and I think he has developed, through careful study, the amount of the appropriations in the last few years compared with the estimates and appropriations—

**Mr. MADDEN** (interposing). Here are those figures.

**Mr. MONDELL** (continuing). Which might fall under the so-called pork-barrel category. Of course, we all understand that pork-barrel legislation generally means legislation for some section of the country other than that in which the critic of a particular appro-

priation lives, and, particularly if he lives in a city, it is legislation for some other part of the country than the great metropolitan centers.

Mr. TAYLOR. Especially if they have got all they want.

Mr. MONDELL. I now have before me here some figures which I understand have been compiled by the chairman of the committee, and which I presume the chairman of the committee wants to go into himself, or has, and I do not want to trench upon his preserves.

The CHAIRMAN (interposing). No; you are at perfect liberty to discuss any of them.

Mr. MONDELL. I have not had time to study these figures carefully enough to use them intelligently, and I shall not go into them; but I hope the chairman or some member of the committee will, because I think that it is highly important that, in connection with this discussion of the budget, it shall be made very clear that budget legislation is not needed in America solely or wholly or even largely because the Congress is extravagant in the appropriations which it originates. The appropriations which the Congress originates are but a drop in the bucket, an infinitesimal fraction, of the general expenditures, and when you come to talk of such appropriations as those for public buildings, including even therefor rivers and harbors, and add them all up and compare them with the general expenditures of the Government, they are but a fragment of the grand total. As to the river and harbor appropriations, none are made except upon the approval and recommendation of an officer responsible to the executive rather than the legislative department of the Government.

Mr. HAWLEY. They are in the nature of executive estimates.

The CHAIRMAN. I think an estimate of the appropriations for, say, 50 years for post-office buildings in towns with a population of less than 10,000 will not exceed from one-thirtieth to one-fiftieth of 1 per cent of the total appropriations during the same period.

Mr. MONDELL. Budgetary legislation in America is not needed primarily because the Congress is extravagant, although it sometimes is; the need of a better system arises largely out of the fact that executive departments are utterly reckless in their estimates, and, further, because our methods—no matter how well they work out in the long run—and considering how unscientific they are it is remarkable how well they do work—are not businesslike methods, and more businesslike methods are essential to wise and economical expenditures.

Now, the gentleman from Illinois asked what bearing, as I recall, the fact of a difference of political faith in the administration and the Congress had upon the subject of a budget.

Mr. MADDEN. And what bearing it has on the desirability of the thing for the good of the country.

Mr. MONDELL. It has no bearing on the desirability of it, I should think. It is desirable without regard to that fact; but it has a very important bearing on the question of the form of your legislation, because it accentuates the difference between our situation and that of any country with a responsive ministry. When we have an administration and a Congress of the same political faith in a way, at times and to some extent we do have a slight approach to the

condition of a responsive ministry; that is, where the Congress and the administration are of the same political faith and are working in close harmony. Then the constant exchange of views and the fact that the responsible parties hold the same political opinions tend to make the recommendations of the administration to a very considerable extent harmonize with the view of the Congress.

Mr. MADDEN. Why should it be necessary to have the recommendations in harmony with the views of Congress?

Mr. MONDELL. I do not say that it is necessary that the recommendations shall be in harmony with the views of the Congress, but what I want to emphasize is this, that you can not wisely draw a budget plan for a Government where the views of the Congress may vitally differ from those of the administration, similar to one where there is a responsible cabinet or ministry.

Mr. HAWLEY. On the side of appropriations, from your own experience, have you ever known the Congress to deny the executive, for the purpose of trying to cripple it, the necessary appropriations for the orderly and efficient conduct of the public service?

Mr. MONDELL. No; I have never known of a Congress so disposed, and I never expect to see a Congress so disposed. But let us go back to the situation on the other side of the seas: Who makes the budget in England? Why, practically a committee of Parliament makes it.

Mr. MADDEN. Does that make it any more desirable?

Mr. MONDELL. No; it does not make it any more desirable or less desirable to have such a budget, but it illuminates the fact that you can not adopt a budget system that might be effective under those conditions in a country where the conditions are vitally dissimilar. The ministry which drafts the budget does not always accurately gauge the views of the Parliament, and when they do not and there is a really vital difference of opinion, down goes the budget and down goes the Government and in comes another ministry which does reflect the views of a majority of Parliament and a new budget which is supposed to reflect the views of Parliament.

Mr. MADDEN. The purpose of the budget, to my mind, is to reflect the need of the departments of the Government, or, in other words, to give a photograph of the needs of the Nation in advance. Is it not that?

Mr. MONDELL. Yes; but it depends altogether on what your view is as to what are the needs of the Nation.

Mr. TEMPLE. And what policies you want to put into effect.

Mr. MONDELL. For instance, let us assume for illustration that we were to provide by legislation in this Congress for an Army of 250,000 men, and we were not to provide for a system of universal military training, and were to retain certain new branches that have been built up during the war in the War Department. Now, assume that when the estimates were made up they were not made up in entire harmony with that legislation, but were made up with a view of providing a force quite different in character. The estimates might be made up following practically the plan of the substantive law, but, as a matter of fact, emphasizing and increasing unduly, from the standpoint of the legislative body, the importance of certain branches. In other words, the administration might have the view

that there were certain kinds of work that needed to be emphasized, expanded, and enlarged tremendously.

Mr. MADDEN. Then, that is where the issue would be drawn between the legislative and the executive.

Mr. MONDELL. Yes; and the difference between that situation in England and in the United States would be this, that when that issue was drawn, if it were sharp and important, and the legislative branch failed to approve that budget, then the people who framed that budget would go out of office and a new budget would be framed.

Mr. MADDEN. The only difference between that situation and our situation would be this, that those who framed the budget in the case you have described, where it was disapproved by the legislative branch, would have to go before the people and defend their recommendations. In other words, the light of publicity would be given to the recommendations which they made and which Congress disapproved. Is not that the purpose of the budget largely?

Mr. MONDELL. I do not think the gentleman understands me. I am for a budget; I am tremendously in favor of budget legislation. as I said in the beginning of my remarks, I think that perhaps the most vital thing before us is this proposition. I have not heard your discussions and I do not know what has been said to your committee. but I have heard so many people discuss budgets and budget legislation as though it were possible to take the European forms and adopt them here that I am trying to emphasize the difference between the conditions and by reason of that fact the difference between legislation relating to a budget or budget system that is framed in view of our conditions and legislation framed in view of conditions abroad.

Mr. MADDEN. It might be of some satisfaction to know that this committee is thoroughly Americanized.

Mr. MONDELL. I realize that it is a thoroughly Americanized committee and that it is 100 per cent American, but I also realize the fact that a great many people who talk about budget systems apparently talk about it as though a budget system were a thing that, having been perfected, could be applied anywhere. That is not true at all.

The CHAIRMAN. I think that, perhaps, as many as 30 persons have appeared before the committee, many of them gentlemen who have been writing on this subject, but I do not believe that there has been a man before the committee who has seriously contended that we could adopt anything like the British system in the United States, because of the very fundamental differences in the two forms of government, and which you have just pointed out.

Mr. MONDELL. I am glad that is true, because I was afraid that it might have been otherwise. Very recently I have been reading some articles on the subject of the budget that seemed to take the other view of it. Now, not to pursue the matter along that line any further, as I said at the beginning, this legislation, like all other legislation, in order to be wise, sound, certain, and workable should be evolutionary rather than revolutionary. The committee must take into consideration the practical situation, must take into consideration the fact that Congress might not be willing to accept the views of even so sound, sane, and well-constituted a committee as this relating to a budget system. There were carried in one piece of legislation all of the provisions that might be deemed necessary to perfect budget legislation fully developed.



I think that one reason why we have not heretofore made progress on legislation looking to the establishment of a budget system is that people have been inclined to do too much or to attempt too much at one time. In my opinion, if a few years ago we had adopted an independent audit, it would have helped tremendously, and I am inclined to think now that the adoption of an independent audit system and the building up around that independent organization of a corps of experts who could inform the committees of Congress, would go very far toward solving our troubles. It would go very far toward giving us a system which would be very satisfactory in the main. I do not mean to say that we would stop there, but I do think that such a system would, in the first place, give us such a clear, definite, and thorough audit, and would inform the committees of Congress so fully with regard to expenditures that we would be able to appropriate wisely, to legislate wisely, and move rapidly toward the perfection of a complete budget system.

Mr. PURNELL. How much authority would you recommend that Congress should have over the auditor relative to his appointment and removal?

Mr. MONDELL. The auditor should be responsible to the legislative branch.

Mr. PURNELL. That is what I am trying to get at. Do you mean that he should be responsible to the legislative branch rather than to the executive?

Mr. MONDELL. I should make the auditor just as independent as it was possible to do but responsible to Congress.

Mr. GARNER. If you make him responsible to the legislative branch, the Constitution of the United States says that the President shall appoint all governmental officers.

Mr. MONDELL. I would be perfectly willing to leave the working out of that proposition to the gentleman from Texas.

Mr. MADDEN. We could make him an officer of the House or Senate.

Mr. GARNER. But if you make him responsible to the House, and make him an auditor for the House, then you must have some legal auditor somewhere else to pass upon the legality of claims. I agree with the gentleman from Wyoming, and I suggested the other day that the House ought to have some committee or some machinery by which it could go into each one of these appropriations while Congress is not in session, or even while it is in session, so as to get this information; but if you have that, it will be necessary to have a legal audit.

Mr. MONDELL. I do not know that I am prepared to go into that phase of the subject in detail, and that is something, of course, that the committee must work out. I am suggesting the importance of such an independent audit. I think it is the one thing that is most needed, and I think it is the one thing that would very largely cure the evils from which we suffer because of careless estimating and appropriating without full information, in many instances, we lack real definite and dependable information.

Mr. GARNER. How will you get that unless you have some organization to go to over which the House has control?

Mr. MONDELL. I think it is entirely essential that it should have control and that around such an audit system we should build up an organization of experts whose duty it would be to present to the

committee or the committees of Congress facts with regard to past expenditures and the facts that they may be able to glean and secure with regard to contemplated expenditures under the estimates.

Mr. BYRNS. Even though the auditor general was appointed by the President, if it was provided by law that he should not be removed except by action of Congress, do you not think that would give Congress the control to which you refer?

Mr. MONDELL. Yes; I think so. I think there are various ways in which, under our Constitution and laws, we could have an audit that would be, as a matter of fact, practically independent, but whose viewpoint would be the legislative rather than the executive viewpoint. I do not mean that in the sense of being hostile to the executive viewpoint, but of having purposed to furnish the appropriating committees of Congress all the information obtainable.

Mr. GARNER. You would then summon before the appropriating committees of the House the auditor general and his employees for the purpose of securing information in addition to the information you might secure from the departments?

Mr. MONDELL. The practical working of it, as I see it, would be that when the committees meet, to hear the executive department—upon the items in the estimates the chairman would have at his elbow an expert who was fully advised with regard to the expenditures that had been made, their character, how economically they had been made and the benefits that had been secured. In addition to that, would be his opinion as to the importance of necessity or advisability of further expenditures along certain lines or of curtailments, from the legislative viewpoint, you would thus have presented to the committee the viewpoint of the administration and the viewpoint of Congress.

The chairman of the Committee on Appropriations, which committee has been very ably presided over ever since I have been in Congress, is expected to know a little about everything, and the clerk of that committee becomes an expert, but it is utterly impossible for either the chairman of the committee or the chairmen of the subcommittees or the clerk of the committee to be as fully informed as they should be to clearly analyze the items when they are taken up for consideration by the committee.

Mr. TINKHAM. What you would advocate would be that the President, with an independently controlled bureau of the budget—

Mr. MONDELL (interposing). I am not discussing that point.

Mr. TINKHAM. When I say bureau of budget—

Mr. MONDELL (interposing). I have been discussing the question of an independent audit.

Mr. TINKHAM. Exactly. You say there should be an independent expert adviser or advisers to the Committee on Appropriations?

Mr. MONDELL. And to the committees on expenditures?

Mr. TINKHAM. Exactly; and that they should sit on one side of the table, in effect, with the representatives of the Executive on the other side of the table, in effect?

Mr. MONDELL. Yes; that is my thought.

Mr. GARNER. Would you object to stating to the committee your views as to the advisability of having one appropriating committee?

Mr. MONDELL. Just another word on that subject, if I am not taking up too much of your time. Most people when they talk about

budgetary legislation put the independent audit as a rather minor feature of the scheme. All of them approve it, propose it, and suggest it, but it is about the last thing on the program. In my opinion, the independent audit and the experts it would develop is among the most important matters in budgetary legislation. Whatever else you do, I think it is tremendously important that you should not only have an independent audit, but that you should have one thoroughly organized and well managed.

I have not had the time to carefully read the chairman's bill on the budget, but I assume that he has covered that very well in his bill, and that he has provided in the main for what I am suggesting. I think it is a tremendously important feature of any budget legislation. I think if we had had an independent audit, with the experts that would be developed through that kind of organization, a few years ago, we would have very much less reason for complaint as to the character of the estimates and appropriations that are made. I think it would have shed such light on the whole subject of estimating and appropriating that it would not only have helped tremendously through its influence in curing the evils of careless estimating, but that, on the other hand, it would have had a great deal to do with enabling Congress to appropriate wisely.

Now, with regard to the question of whether we shall have one or many committees, I said a moment ago that I thought we should constantly keep in mind the fact that wise legislation is evolutionary rather than revolutionary, and I might add that in my opinion we will make better progress, greater progress, if we do not attempt too much at one time. If every step we take now is one that we are quite confident is wise and well considered, so that it will not have to be retraced, we shall be in a position to make further progress as our experience demonstrates the proper direction in which that progress should be made.

I have conflicting opinions about the matter of appropriation committees. There have been times in my legislative experience when I was very sure there should be but one. There have been other times when I was just as confident there should be a number, possibly as many as we now have. I think it is a very bold man who, having had long congressional experience, will say that he is right sure that one appropriating committee is practicable in the House of Representatives. I am one of those who hope it is, but if I had the power to merge all the committees of Congress into one to-day, and would be held responsible for what might happen, I think I should hesitate about doing it, and yet I do not pretend to say that it can not be done or that it would not be workable or that it would not be wise. I have very considerable doubt as to the wisdom of attempting to do that as a part of the first step, because I am not altogether satisfied that it is practicable, workable, or wise, and, what is very important, I am not altogether certain that you could accomplish it.

Mr. GARNER. The last one you mention is the one that appeals to me.

Mr. MADDEN. Is your judgment based on the latter statement or on the wisdom of the proposition?

Mr. MONDFLL. Some years ago when I was more or less under the influence of the then chairman of the Committee on Appropriations,

I was almost convinced that it would be wise to have one appropriating committee, but since, as I have taken into consideration the enormous volume of expenditures, their wide reach, the territory they cover, the activities they provide for, and the variety, scope, and extent of the Government's activities and expenditures, I have had doubts as to the wisdom of placing all the responsibility and all the power relative to and over those expenditures in the hands of one committee, and to some extent in the control of one man at the head of one committee. I do not say that because I distrust men or have any question about the honesty and patriotism, and judging the future by the past, the wisdom and good judgment of the men who would have these responsibilities, but because of the fact that the task is so great, it is a question whether one man could wisely discharge or whether one man would ordinarily care to take so great a responsibility.

Mr. MADDEN. I am afraid you do not place a very high estimate upon the knowledge, the experience, integrity, and independence of the other members of the committees when you express a doubt about the wisdom of placing the responsibility in the hands of one man.

Mr. MONDELL. No; I said in the hands of one committee, and then to some extent in the hands of one man, because we have all served on committees, and while I have never served on a committee with the gentleman from Illinois, I feel very confident that if I had served on a committee with him, in the main, I would have agreed with the gentleman from Illinois, and to a considerable extent would have taken his view of matters.

Mr. MADDEN. I am in some doubt about that. I am familiar enough with the gentleman to realize that that is not exactly the case.

Mr. MONDELL. We all know that a strong, forceful, able, capable man at the head of a committee—and that is the kind of men we have had at the head of the committees I have served on in this House—has and should have a large amount of influence.

Mr. MADDEN. But he ought not to be the committee, and would not be the committee, and is not the committee, and the gentleman knows that very well.

Mr. MONDELL. No; I do not want to convey and such impression, and, understand, I do not want the gentleman to get the impression that I am arguing against a single committee. I simply am not fully convinced as to the wisdom of the practicability of making that change immediately.

Mr. MADDEN. I am not expressing an opinion about a single committee or duplicate or triplicate committees, but I am expressing opposition to the judgment just rendered by the gentleman that other members of the committees are not members of the committee.

Mr. MONDELL. Oh, no; I have not said anything that even suggested such a thought, but I will ask the gentleman this question. Does not the gentleman from Illinois believe that on any committee, no matter how able the men who constitute the committee are, the chairman, if he is the right kind of man, has a very considerable influence?

Mr. MADDEN. He has the same influence that any other member of the committee has; no more and no less. He may be able to tell the

order in which the business of the committee will come up, but he can not dictate the policy of the committee; I do not care who he is.

Mr. MONDELL. Oh, no; there is a very great difference, a difference as wide as the poles, between dictating and influencing. Some men who never dictated anything have influenced much; and many men, most men, who try to dictate, do not influence much of anything.

Mr. MADDEN. I think that is true.

Mr. MONDELL. So that it is not a matter of dictation; it is a matter of the influence of sound judgment on the part of the man who, after all, in the minds of every member of the committee, comes to be held as the one who is, in the final analysis, as Uncle Joe says, more responsible than any one other member of the committee.

Mr. MADDEN. I do not agree with that conclusion at all.

Mr. TINKHAM. Mr. Mondell, did you know that it had been proposed that if we had this one central appropriating committee that the senior members, or the majority and minority chairmen of the various appropriating committees as now constituted in the House, would be members of it, and before that general, central committee they would handle the appropriations touching their departments, and would also handle those appropriations on the floor of the House? If that suggestion were adopted, would it not relieve the stress which you feel it would be inadvisable to place upon the chairman of the general committee?

Mr. MONDELL. Oh, undoubtedly; the form of organization of the committee would be such, at least should be such, as to place upon this central committee the men best qualified as members of subcommittees to pass upon the particular questions and subjects and the particular bills that might be referred to such subcommittees. However, this is true—and still I am not arguing against a single committee and do not want to be put in that attitude. I simply want to emphasize the fact that none of us now can say, in my opinion, beyond the question of controversy, that a single committee of this Congress would work well as an appropriation committee.

We have been running for a long time with committees of considerable size, having to do with all the larger subjects of appropriations, with the result that various men serving on those committees have become experts along certain lines, taking any committee of the House—Military, Naval, or Interstate and Foreign Commerce. I need not say to you gentlemen that some of the most capable men on those committees are not necessarily at the head of or the ranking members of the committees. Men on committees have their specialties, and it comes to be understood on a committee that a certain man has a specialty and his knowledge and information is recognized and to a certain extent he influences the committee more than any other member with regard to that particular matter. You would lose some of those men inevitably when you first came to form your great committee. I think that it is entirely possible that in the course of time members would become so trained that a single committee could be selected that would wisely handle all the appropriations of the Government. I think, however, there would be a good deal of difficulty in selecting such a committee at the beginning, because the training in Congress has been along altogether different lines. The training has been not always along lines making the few ranking men most expert on all the questions that come be-



fore the committee. Very frequently, and perhaps generally, the ranking men of the committee are the best informed men on the committee, but they are not always the experts on certain subjects, and now your larger committees have the benefit of those men who have been specially trained along certain lines.

Now, Mr. Chairman, I have nothing further to say in regard to that particular matter other than this. I assume that it is not essential to the formulation of a budget policy that you should determine at this time what you may do with regard to modifying the rules of the House or changing the organization of its committees. I do not want to suggest what you should do further than to again emphasize the importance, as I see it, of going no further than those steps with regard to which we are all very certain we are right. I doubt the wisdom of involving in the first step some questions, some issues, with regard to which it might not be possible to get an agreement at this time. I have run over the bill introduced by the chairman of this committee rather more carefully than I have any of the other bills. I am not prepared to pass upon its details, but it seems to me to be a very sound piece of legislation, and I should be rather inclined to think that it goes, perhaps, far enough for the first step in legislation. I should be very happy indeed if we could get on the statute books quite soon budget legislation, even though it did not go as far as this bill does in some particulars, because I feel very confident that any wise first step that we take will so illuminate the situation and so emphasize the faults of our present policy as to compell further legislation perfecting a good workable American budget system.

I thank you very much, gentlemen.

The CHAIRMAN. We thank you, Mr. Mondell, for your statement.

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FRIDAY, OCTOBER 3, 1919.

**STATEMENT OF HON. JAMES A. FREAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN.**

The CHAIRMAN. Mr. Frear, the committee would be very glad to hear from you with regard to the general subject, and, also, to hear anything you desire to say with regard to any of the bills pending before the committee.

Mr. FREAR. Mr. Chairman and members of the committee, I have just returned to the city, after having been engaged in many strenuous hearings myself, and I know this, that the one who sits on the opposite side of the table is generally the one who has the information upon which to form an intelligent judgment, and I think, perhaps, that the better way is for you to inquire of those who appear before you in regard to any particular phase of the subject on which you desire information, and in that way avoid constant repetition of elementary matters which I know you must have had. I know this, too, that your committee has had some very able men before it, and, undoubtedly, you have gotten excellent information from them that could not have been obtained from the ordinary Member of Congress, who is not an expert and who has not given the subject the

study that has been given it by the men who make that their business. I shall be glad to make one or two statements in a general way, and then will be glad to answer any questions you may desire to ask. I will frankly confess that it is a matter about which I may have little more information, perhaps, than the average Member, although I have given some study to the subject.

In differing from the gentleman who has just addressed you, I recognize his ability and long membership in the House. I have taken, possibly, an unusual interest in this subject of a budget. For several years I have supported it along lines that I felt were desirable for us to adopt in Congress. I have done that throughout in the spirit of a desire to improve conditions in Congress. Notwithstanding the fact that sometimes the discussions have waxed warm, I have never hesitated to assume a position that I believed my judgment would sustain, but I have never yet indulged, directly or indirectly, in anything that could be considered to be of a personal nature. I have endeavored to support as best I could every proposition before the House because of its merit as I viewed it, if it had merit, or to oppose it because of its demerits, if I felt that it was deserving of that action. I say this because my attention has been called to a letter that was sent to the Members of the House by one of my colleagues of the House in which I was personally criticised rather severely, and, as I think, unwarrantedly, but that phase I do not intend to discuss at this time. It also called particular attention to the fact that I had referred to one of the bills as the Good bill, which is the bill introduced by the chairman of this committee. Let me say that I assume the Good bill, like other bills that have been introduced, has largely had its inspiration outside of Congress. I mean by that that persons who are experts and who have had experience have helped in the preparation of such bills.

There has been no thought on my part of criticism of anyone whose name was borne by a bill. For that reason, which I hardly think it necessary for me to express in this place, I will say that knowing the gentleman who introduced that bill, I certainly would be as content to see him chairman of a budget committee as any man in the House, and that, I think, is the judgment of the Members generally. It was never with any other thought that criticism was offered to the bill. Criticisms may be offered and ought to be offered to any bill if there is any possibility of improvement. I say that there is no bill, as Mr. Mondell has suggested, that might not be improved, and, as we know by experience, such bills ought to be perfected as nearly as it is possible to perfect them.

I have no hesitation in expressing my views, so far as my experience goes, leaving it for you gentlemen to give them whatever value they may have. With regard to an American budget which has just been suggested by the distinguished gentleman who preceded me, I was particularly interested in that part of his statement, and the members of this committee have anticipated even by the expression that came to my lips I wanted to ask what is an American budget. You know as well as the country knows that we had an effective single-committee system prior to Mr. Randall's speakership, and along about that time a change was made dividing up the appropriations among a number of independent committees.

It had worked harmoniously in this country; there was nothing to the contrary, so far as I know, but it was, undoubtedly, at that time considered a political question when the various committees were formed.

The suggestion has been made here by one very able member of your committee that the President must appoint all Government officers. A committee with the experience that this committee possesses can devise a plan by which that situation can be met. If such an officer can not be appointed by a resolution or bill, surely the committee can devise some means by which you can have a man to act for the House of Representatives and the Senate. You could certainly do that by resolution, or in some other way.

Mr. HAWLEY. Do you mean in the original preparation of the budget?

Mr. FREAR. No; that must be with the executive branch.

Mr. TINKHAM. You are referring to the independent audit?

Mr. FREAR. Yes; the auditor general, or other officer acting on the part of Congress. The suggestion was made that he would have to be appointed by the Executive, but the House could, it seems to me, make its own appointment by resolution, if there is any question, under the Constitution or otherwise, that would prevent such appointment being made in a regular bill.

To amplify the suggestion made by one member of the committee, let me say that under that independent audit it would seem to me that the man selected to undertake this work on behalf of Congress should be aided by men thoroughly familiar with the work of every department. There ought to be someone held responsible directly to Congress, and that person should be one who knows the work of the departments, the character of the expenditures, and everything in connection with the departments, so that he could do what to-day is performed by the clerk of the Appropriations Committee as an expert.

The CHAIRMAN. Do you think he should be an officer of the United States?

Mr. FREAR. Well, I do not know whether he should be an officer or an employee. I do not know that that makes any difference, provided you can rely on his report.

The CHAIRMAN. If he is to pass on the legality of the expenditures by the various spending departments, he would have to be an officer of the United States, and not an officer of the House of Representatives.

Mr. FREAR. He would be employed by the House to do precisely what the clerk of the Appropriations Committee does today, if you wished to give him authority to that extent. Whether you call him an officer or an expert, you would want him to perform that service for the Appropriations Committee, which we all recognize is one of the great committees that has to do with the big questions of finance for the Government. You would want him as an expert outside of your committee, and necessarily he would have to be that. Now,

whether he be an officer under the strict interpretation of the law, whether he be a civilian employee called in to give you advice and information, it seems to me that in that matter we are not bound by the Constitution to hold that we cannot get light and cannot get

assistance from such a source. If so, Congress itself must remain helpless until the President appoints a man, with the power to remove him, but I cannot conceive that that was ever the intention of the framers of the Constitution.

Mr. MADDEN. If the President were given the power to appoint and Congress retained the power to remove, how would that do?

Mr. FREAR. I do not know whether the President would have the power to remove. Of course, that is a matter of detail.

The CHAIRMAN. Along that line, I think that everybody who has appeared before the committee so far has thought that this position was one of such responsibility and that the officer holding it ought to have such powers that, in order that his functions might be effective, he would have to be an officer of the United States. Of course, if that is the case, this constitutional provision that the President shall, with the advice and consent of the Senate, appoint all officers of the United States, would rather take from us the power to appoint. We might provide by law for him in some other way.

Mr. FREAR. Of course, I would not undertake to discuss that legal point with you. To show what I have in mind, I will say that I have just been through with a number of examinations and hearings, and a number of witnesses have appeared before us, including department officials and members of the Cabinet. They came voluntarily, but if they had not come, I would have sent for the Sergeant at Arms, who did perform that duty for us at times. Now, my suggestion is that the House certainly can not be put in a position where it can not have an officer to inspect those departments. The bill I introduced provided for an officer appointed by the Speaker and majority and minority leaders who would act together.

The CHAIRMAN. There is no question about that. If he were an officer of Congress, or an officer of either branch of Congress, there would be no question about that; and there is no question about the right of Congress, or of either branch of Congress, to create a new office the duties of which are to be performed by an officer of Congress or of either branch thereof. The only question that has been called to the attention of the committee is that if he is an officer of the United States, as distinguished from an officer of Congress, or of either branch thereof, then he must be appointed by the President.

Mr. FREAR. That point might lie as to his title, but that should not affect in any respect the importance which Congress attaches to the man who is to advise Congress, whose service is to be for the benefit of Congress, and whose position is not necessarily that of an officer of the United States, but who is to be an expert for Congress alone. If he is appointed by the President, then he will be under obligations to the President for his appointment, even though he is not subject to removal by the President. It seems to me that he would be under the jurisdiction of the Executive, but that is a question that your committee is in a position to determine. It occurs to me that if you place him under the authority of Congress, you certainly will have taken a long step in the direction of having one on whom you can rely to act for Congress.

The CHAIRMAN. It has been pointed out by most of the gentlemen who have been advocating this reform that that position is of a judicial character and the man appointed would have to have years of training, or at least one or two of training, before he would

become a really efficient man. If we left the power of appointment solely to the House or Senate he would be removed, just as the officers of the House or Senate are removed, for political considerations when the political complexion of the Senate or House changed, and that would impair his usefulness, and the Government would be loser by bringing in so frequently green men and removing them oftentimes just at the time when they had arrived, through their experience, at a point where they could be most useful.

Mr. FREAR. Well, we all agree, Mr. Chairman, that that might be one of the things that possibly would occur, and that certainly would have to be avoided, and any method of appointment ought to provide for some one who would remain in the position for a continuous term of service to be of any value to Congress.

The two branches of the budget that are suggested of having the estimates prepared by the administration and of having the audit. I think, are agreed to by people generally. I do not know that there is any particular objection to that, and you would have discovered it by your hearings if there were objections.

But the question of the adoption of a joint or single committee is the one that I am more particularly interested in, and it seems to me, in view of the remarks of the distinguished gentleman who has just addressed you—and he is a very able man and a man of long experience in Congress. Unfortunately we have differed on specific legislation in which I have been actively interested, and that may account for our little differences of judgment at this time. As I read them, the demand of practically all political parties to-day is that we proceed to a budget system that will be a budget system having one central responsible body in Congress. That certainly is the interpretation of the Democratic platform, and I believe it to be that of the Republican platform, and it has been emphasized in the press by the gentleman who is to appear before you to-morrow, Mr. Taft. That is the understanding, and he is the man who first presented this budget proposition to Congress—that is, of course, as a workable system. I did not hear the discussion of Mr. Sherley and of Mr. Fitzgerald, and other able men, who have been before you, but I take it that is their view. And it seems to me that it is an important matter to have one committee, if possible, and I have suggested in my own bill a joint committee of House and Senate, with the House to pass upon the bill, in the first place, and then it is to go on to the Senate, so that hearings may be held at one time. That would be a saving of time; but, of course, that is a matter of detail. There are other suggestions along that line which have come to me that probably have also come to the committee, which, I believe, if they can be adopted, would make a great saving of time to the committee and to Congress, and in the end I believe it would be an economical measure and a businesslike measure. As has been suggested, in an American budget we want a businesslike budget, whether it is American, European, or what.

The question suggested by Mr. Mondell of a responsible government is with us also, though different from what it is in Europe, and yet that to my mind does not affect a budget plan such as we had prior to the Randall speakership and to which we can return at this time if the present lack of system contains the objectionable features which have been urged against it.



There never has been a time, of course, when the Government has been in as serious a situation financially as it is to-day. Taxes are direct, something new to the people, and they are taking a very deep interest in this question of a budget which they hope will hold expenditures within reasonable limitations.

The suggestion was made a few moments ago, which I have heard before, that what is known as pork-barrel legislation was only an infinitesimal part of our expenditures, and let us admit it for the sake or argument.

Our expenditures consist of what? Of a military bill, which must be a large bill, and is growing and has grown up until at the present time it is very large, and also a naval bill. These are bills that are necessarily important bills. To compare small bills, whether they are for land reclamation or whether they are for waterways bills or for drainage, or for irrigation, or for countless other items, which to us would make a very small percentage, I do not think is the question. Neither does it seem to me in the adoption of a budget bill it is a guidance for us to say that under the present system the estimates have been made at practically double the amounts that many of the departments or bureaus expect to receive, because it has been a practice forced upon them, as they believe, by the Congress on one side seeking to take credit to itself for cutting the estimates in two in order that we may get the credit for economy. We have frequently encountered the overestimating plan, which we know is objectionable from a public standpoint and ought to be cured. Cutting down of appropriations we know is a practice that has been followed annually by practically all the committees. But a budget will get away from a system, if possible, where efforts are made by a locality to bring pressure to bear against Congress to enforce large appropriations, or appropriations for particular interests. That is one of the important matters involved.

Then, beyond all, is to have a systematic budget that proceeds upon businesslike lines, to know what your estimates are and your expenditures are going to be, and to keep your expenditures within the estimates.

For me to go beyond that might be for me to assume what is beyond what I would care to say. I did have this in mind, that in this letter which was sent to the various Members of the House, and I suppose, sent generally, because I received a number of copies——

The CHAIRMAN. Before you go into that——

Mr. FREAR. I just want to suggest that this contains the answer to or defense of the present system, and without referring to personal matters which are immaterial to me, it seems to me that this does set out some of the views that have been opposed in the past, and I am quite willing to read and discuss those views if it be the desire of the committee, and to show the difference or the distinction which I would draw between the present system and the system of a budget which is before you.

I do not care to enter into it unless the committee desires. It is this letter that was sent by Mr. Steenerson to the House.

Mr. BYRNS. Do you want to discuss it?

Mr. FREAR. No, sir; I only wanted to touch on two or three propositions.

Mr. BYRNS. How long is the letter?

Mr. FREAR. I do not care about the letter. This is a letter he has written, and I want to discuss three or four propositions contained in it to show the understanding I have on those questions in opposition to the understanding expressed in this letter. I thought it might be of interest to the committee in the general subject.

The CHAIRMAN. Proceed in any way you like.

Mr. FREAR. As I said, I do not care to reply to that which is of a personal nature, because I do not think it is interesting to the committee or would affect the result.

This letter is dated August 15, 1919. It was addressed to me and sent to all the Members of the House, as I understand it, and I received a number of copies, so I assume it has had general circulation. It says:

The unfairness of your course in this particular (that is, objecting to certain measures before Congress) becomes plain when it is recalled that in your criticism of Congress on rivers and harbors appropriations you overlooked the fact that the executive branch had favored every project in the bills.

Of course, no one who is familiar with the discussion on the rivers and harbors bill would intentionally charge me with that. I always have stated projects have been passed on by engineers and that 600 or 700 projects that have been passed upon by engineers are now awaiting adoption. But the objection has been, and has been repeatedly stated on the floor of the House, that the man whose project goes into the bill is the man who brings the greatest amount of pressure to get it there.

The CHAIRMAN. Right there, Mr. Frear; it gets into the bill in the first instance by the report of the Board of Engineers.

Mr. FREAR. Whoever reported on it.

The CHAIRMAN. And by its inclusion in the estimates of the department.

Mr. FREAR. Yes.

The CHAIRMAN. And those estimates are in every case, or they have been recently, O. K'd by the President of the United States.

Mr. FREAR. Yes.

The CHAIRMAN. And come to Congress just as the other estimates do with all the pressure of the President and the executive department behind it.

Mr. FREAR. Yes. I am glad you suggested that.

The CHAIRMAN. I was afraid your statements would lead some one not familiar with the procedure to infer that you meant that the items were put on in the committee by a Member of Congress and independent of any estimate having been made for it.

Mr. FREAR. No; not independent of any estimate, but it is frequently, very frequently, put on in the committee without having come from the Board of Engineers.

Let me give you an illustration of that practice in this particular kind of bill. The last bill which came before Congress was a bill which proposed, I think, something like fifteen or twenty million dollars. I have forgotten what the amount was.

Mr. HAWLEY. Rivers and harbors?

Mr. FREAR. Rivers and harbors; yes.

When the bill was sent back to engineers after the signing of the armistice, and it was proposed to enlarge the bill, then came the question of what particular measures among these 500 or 600 measures

not adopted by Congress would be placed in it. The Chief of Engineers' representative said before our committee—and I asked repeatedly, "Will you indicate to the committee which are the most important matters? The committee will gladly put on anything you deem most necessary." He stated—and it is in evidence, as you gentlemen are probably familiar—that it was not the province of the Board of Engineers to state what should be placed in there after they had once passed upon or approved of the measure. With this thought in mind, of course, projects were placed in there frequently because of the chairman's suggestion or the suggestion of others who were getting up the bill at that time.

Mr. TINKHAM. As I understand, all of the projects had been put in by the engineers?

Mr. FREAR. Yes; they had been approved.

Mr. TINKHAM. And of course it was a perfectly proper position for the engineer to take.

Mr. FREAR. I am not questioning it, but Members determined what should go in the bill and where.

Mr. HAWLEY. Another thing, is it the fact or not that the money which we have been appropriating for the last few years has been for projects for which the Government had already in previous Congresses made itself liable, or authorized, or committed itself to?

Mr. FREAR. Yes; and in some cases, due to the disclosures that have been made on the floor of the House, Congress has ceased to make appropriations for some of those things. I could name some of them for you if you desire.

Mr. TEMPLE. May I ask one question? How does it come about there is an accumulation of 500 or 600 projects for which no appropriations have been made?

Mr. FREAR. That is because there have been so many surveys made in the past and the engineers approved of so many projects. Whether it was for the rivers that had commerce or not, or had any hope of commerce, was immaterial. They were approved in some cases, according to the statements of the engineers, with the idea it would affect railroad rates and compel the railroads to meet a theoretical competition and reduce rates to the level of the supposed waterway competitive rates.

Mr. TEMPLE. Who held up these 500 or 600 projects?

Mr. FREAR. They were held up because they did not dare to bring them all into Congress at one time.

Mr. TEMPLE. There was not money enough to do it.

Mr. FREAR. I will leave you to draw that conclusion.

Mr. TEMPLE. They were held up by the committee?

Mr. FREAR. Yes; the committee tried in a way——

Mr. MADDEN. Those surveys originated in Congress, did they not?

Mr. FREAR. Yes; at the request of individual members.

I speak of that because it shows that the real situation in our present form of legislation, notwithstanding these engineers have passed upon them, and I would like to make some statements which I do not feel privileged to do in regard to what they have said personally, but the pressure upon the engineers has been tremendous from localities to approve all manner of projects.

The CHAIRMAN. Right there, is it not more the fault of the executive department in the first instance that approves of projects as

being projects in aid of navigation, rather than the fault of Congress? Because since we commenced our hearings I have been advised that while there has been more than \$900,000,000 appropriated for rivers and harbors improvements there are only a few items where the project was not approved by the board of engineers and estimated for by the War Department.

Mr. FREAR. That is the most serious part of it all, Mr. Chairman. I concede that, that some of these projects are so idle and so hopeless that Congress, the moment its attention was called to it, refused to place them in a bill even though adopted by the board of engineers.

Now, following out your suggestion, the question you have in mind, doubtless, although it was not stated in full, is would there be an improvement by reason of the Executive placing those appropriations in the bill for the reason that the influence might be exerted there upon the Executive?

The CHAIRMAN. No; I was going to ask you this question: Do you think that Congress would appropriate, we will say, a million dollars for the improvement of some creek, even though a motion was offered on the floor of the House, and no point of order was made to it, if there was a report from the Chief of Engineers that the project was not one that would be in aid of navigation.

Mr. FREAR. No. Will you allow me to give an individual instance which, I think, is the only way I can illustrate. In the last Congress before another body, not the House——

The CHAIRMAN. You can say the Senate.

Mr. FREAR. All right, before the Senate, there was a proposition to put \$1,000,000 in a river not far from Florida in which very influential members were very strongly interested, and the proposition finally came to a point, due to a gentleman from your own State Iowa, whom I highly admire, that danger of the failure of the whole bill existed unless that item was taken out. Then it was reduced to \$100,000; \$900,000 reduction on that proposition.

The CHAIRMAN. But had not the project been passed by the Board of Engineers?

Mr. FREAR. Surely it had, and one of the most hopeless cases in the world.

The CHAIRMAN. That is what I am getting at. Now, if the Board of Engineers would say, "Here is a project that is not worthy of spending a dollar on; to spend money on it will not aid navigation." In the face of that do you think any Congress would appropriate the money?

Mr. FREAR. Oh, no; if the facts can be placed before Congress.

The CHAIRMAN. After all, then, the responsibility for the waste and extravagance goes back to the estimating department, the executive department of the Government.

Mr. FREAR. Yes, sir; excepting the items are placed in the bill by Members who control its size and character.

Mr. TEMPLE. Now, can you suggest some way to correct that?

Mr. FREAR. Let us see how the budget will reach that. It will not reach it directly, because the Executive is going to present whatever measures he chooses and Congress has the right to strike out whatever it chooses in its budget committee, but when the Executive has

before him the various items for public buildings, some of which ought to be allowed, and the items for waterways, some of which ought to be allowed, then the appropriations will be made up and responsible officers are going to try to hold it within such reasonable limits preferring only the most needed projects that it will take out much of this legislation which ought not to pass Congress. That would be the reason why it would not be inserted, because of the matter of responsibility which you have then fastened direct. Congress assumes that responsibility to-day, because we say of these 700 items which are waiting, "Put in these different items" and we make the choice. Of course, Congress ought to be left in a position, when it is absolutely necessary to add to any bill, and that is a provision I have drawn, whereby two-thirds of the committee have the right to insert anything that is shown to be necessary. That would only be in case of an emergency possibly, or where a situation was presented to the committee that it would be absolutely required, but I believe to-day if the administration would present a necessary bill to the budget committee that committee would accept it without the present methods.

The present plan of selecting a public building bill, or making it up, as we well know, is that practically every Member of Congress gets word from the committee to appear before it and state what building or site he wants, one or two items. Is it not so? And one or two items are generally named from the Members' district irrespective of necessity. Take the bills, as I have shown on the floor and as the distinguished chairman of this budget committee has done—we have disclosed things there that ought not to have existed, and it has had the effect when it reached the other side of defeating the bill.

Mr. TEMPLE. Mr. Frear, there is a way of meeting that, and I think I have met it.

Mr. FREAR. Good.

Mr. TEMPLE. When the people at home in any town ask for a post office building I say, get the inspector of the Post Office Department to make a report on your needs to the Post Office Department.

Mr. FREAR. That is right.

Mr. TEMPLE. And if they recommend an extension, or if they recommend a new building and the bureau of supervising architects of the Treasury Department recommends it, I will endorse the bill.

Mr. HAWLEY. Mr. Frear, is not this also true, that the great majority of all bills are recommended by the department as the amount that is suitable?

Mr. FREAR. Congress, or its public-building committee, sends word to the department asking them to make the estimates of the cost of buildings named in private bills, but we do not ask the Post Office Department or the Treasury Department or any other branch of the Government what the needs are or what to-day is the present cost of running the post office in that town, or what will be the cost of janitor service, the amount of the interest on the investment, or the necessity of establishing that building, which may be at a country crossroads. Those questions we do not put. It must be designed by the architect, and the same condition exists in his office as in the others. He carries out the express wish of Congress.



Mr. BYRNS. It should be said that before the estimate comes down Congress has passed on that and approved the building for a certain amount. There are no estimates now before the authorization.

Mr. TEMPLE. I have refused to introduce a bill until it was said by the Post Office Department such a building was necessary.

Mr. BYRNS. The point I make is that in the first instance there is no estimate. First the person introduces the bill and then it is sent to the Treasury Department.

Mr. FREAR. That is true.

Mr. BYRNS. In other cases estimates come from departments for what they think is necessary, and that is true of rivers and harbors.

The CHAIRMAN. I think what Mr. Byrns has said is vital, because we are discussing budgetary legislation. The authorization for that building of this post office that never ought to be built never comes from any appropriation committee.

Mr. FREAR. No.

The CHAIRMAN. That comes from a legislative committee reporting out a bill.

Mr. FREAR. Surely. From the building committee.

The CHAIRMAN. And if Congress adopts it the evil has been done.

Mr. FREAR. Exactly.

The CHAIRMAN. And no budget is going to stop that.

Mr. FREAR. The power to legislate where the building should go should not be left for Members to determine.

Mr. HAWLEY. You think it should be?

The CHAIRMAN. I do not think, Mr. Frear, this committee has jurisdiction to take from any of the legislative committees any of their powers to legislate. That is the legislative function.

Mr. FREAR. I understand, but it must be limited.

The CHAIRMAN. But I agree with you that we have authorized many buildings that never should have been authorized. But once authorized, under the law, there is nothing for the Treasury Department to do but to estimate the cost and the appropriation goes through. I have never heard a word of discussion on the floor of the House with regard to an appropriation. The discussion is on the authorization. And if some method could be devised where the Public Buildings and Grounds Committee should be required to report out only projects that were deemed necessary and recommended by the Post Office Department I would vote for a proposition of that kind personally, but I do not see how this committee has jurisdiction of that matter.

Mr. FREAR. That is, this budget committee?

The CHAIRMAN. This budget committee has not jurisdiction to report out any legislation at all that would affect the jurisdiction of a legislation committee, the Ways and Means Committee or the other committees as to what kind of bills they should report out when it was mere legislation.

Mr. FREAR. Such proposed legislation should not be placed in a budget. If you will permit me, let me say also in regard to the suggestion of Dr. Temple that there is another evil, before I forget it, and that is that before the individual Member eventually persuades the committee in public-building matters he has to secure a site. That is the beginning of the evil. Of course, when the site is once started then follows the building, as we know.

Mr. KITCHIN. Mr. Frear, how long have you been on the Rivers and Harbors Committee?

Mr. FREAR. I have been on it for two full sessions.

Mr. KITCHIN. I have understood that more than three-fourths of the appropriations passed in the Rivers and Harbors Committee in the last six or seven years were for projects to which the Government had committed itself eight or ten years ago?

Mr. FREAR. I think largely so, on rivers and harbors. I do not know about what proportion, but I think that is largely true.

Mr. KITCHIN. That corroborates what you said a while ago that they may be holding up a bill involving hundreds of millions of dollars.

Mr. FREAR. I think that is largely so, too; that is, hundreds of new projects, including worthless ones, are trying to get by.

Now, if you will allow me to get back to the budget proposition.

The administration presents its budget bill or its estimates, including the estimates for post offices, and for public buildings. That should be done from that branch. The department knows the necessities for post offices. It knows the places where it is important that buildings should be built, and where absolutely necessary, and it is harmful to those cities, it is an injury not warranted, to withhold needed buildings because of all these miserable little items that are demanding to be placed in the bill.

Would not the administration in that way suggest proper buildings, the amount of expenditures that ought to be undertaken, and would not that be the proper way of having it come to the budget committee? And then the budget committee goes over the items and strikes out if necessary. We meet the situation frankly, instead of having this plan, which we all know is objectionable as conducted to-day.

That is my suggestion as to how it would be handled in the budget.

Mr. TEMPLE. Mr. Frear, it may not be a very live issue now, but it was at one time. There was considerable difference of opinion between the legislative branch and the Executive on the question of internal improvements. In a case of that sort should the whole decision with regard to the policy of the Government be left to the Executive or should Congress have something to say about fixing the policy of the country?

Mr. FREAR. That, of course, opens up a wide field, and if you find you are going to debar yourself from having a voice in it, it might be well——

Mr. TEMPLE. It comes back to the question of fixing the policy.

Mr. FREAR. Yes; it is a practical question.

Here comes a bill before us to-day involving half a billion dollars. It is a bill that comes with no father excepting as introduced in the House. Whether it is necessary or not may be immaterial. Why should not the administration father that bill if needed? It is said it comes from a Cabinet officer as a reclamation project. Why should it not come as an administration bill. Of course, as it comes to-day, it is presented in another way and for another purposes, but it is a large bill compared to which the public building bill and rivers and harbors bills are insignificant. Here is a \$500,000 bill before Congress to-day. Why should not that be a matter of Executive recommendation? Because you ought to have information on what

the expenditure should be and what the estimates shall be, and they ought to be placed before us and acted on intelligently.

Mr. TEMPLE. On the other hand, suppose the Congress wishes to adopt a certain policy, whether it is reclamation or irrigation or something else, your proposal, it seems to me, would give to the Executive the right to veto the project before it is considered.

Mr. FREAR. It has that effect, but he has that power to-day after it is considered.

Mr. KITCHIN. We do give him the right to veto it after it is considered.

Mr. FREAR. Here is the idea: The purpose of a budget bill, as I understand it, is to fix responsibility somewhere. You are going to fix it with the administration. If the administration fails to come up to the ideas of Congress in this particular the administration is responsible, and that is an issue on which to go before the people. Of course, in the European countries they have a chance to depose the ministry immediately. We have not that opportunity here, but we have the same responsibility then fixed on Congress and the responsibility fixed on the administration to be decided at the first opportunity.

Mr. BYRNS. How are you going to go before the people on that?

Mr. FREAR. Because it becomes an issue at the next election when the administration refuses to approve a necessary measure.

Mr. TEMPLE. Mr. Frear, you speak of fixing responsibility where there is a Cabinet responsibility to the legislature.

Mr. FREAR. Yes.

Mr. TEMPLE. The Parliament in England controls the cabinet. While that system has grown up since our Constitution was adopted, since the adoption of the theory on which our Constitution is based, a theory of the separation of the powers——

Mr. FREAR. Yes.

Mr. TEMPLE. It is the underlying theory of our Constitution to divide power and, therefore, divide responsibility.

Mr. FREAR. Of course, on every committee there would be placed certain legislative duties that would be before those committees, and a committee on public lands, for instance, or any other committee, can make its recommendation to Congress, and, of course, the thought here is that they would not be entitled to have that placed in the appropriation bill unless it came in the form of a budget.

Mr. MADDEN. Your theory is, Mr. Frear, that the President or the head of the Government should work out the needs of the Government for the current year, submit those needs in the form of a comprehensive budget to Congress, and that would indicate the administrative policy, and that if then Congress disapproved by either decreasing or increasing the expenditures under the suggestions made by the administration that would raise the issue.

Mr. FREAR. It raises the issue squarely, as I understand the purpose, the same as it raises it in Great Britain and elsewhere, the difference being that there you have a quick change of administration, whereas you can not bring about a quick change here.

Mr. TEMPLE. You have a deadlock and no decision.

Mr. FREAR. On that one proposition a delay occurs; yes. You could have a deadlock to-morrow if Congress refused to appropriate a sufficient amount to meet the needs of the Government. But

we would not do that, and that is because of the fact that we are responsible to the people and because of the justness of the cause.

It seems to me that that same reasoning applies to the administrative branch which applies to Congress, and it is inconceivable that the administration—I do not care whether of the same party or not—would withhold its approval of a necessary proposition and fail to place it in its next budget.

Now, I think that is the plan that is worked out in Europe and could be worked out here as to the same budget system, because the legislative acts of the committee are the things on which the administration would act, if of great public necessity, after having been approved or disapproved by the Congress.

Mr. TINKHAM. Mr. Frear, you said nothing about the preservation of the unity of the financial program as reported by the committee on budget, after it reaches the floor, and the preservation of its integrity concerning changes. Do you believe that the House should by a majority vote increase or decrease the appropriations as recommended by the central committee?

Mr. FREAR. No; and the reason, if you desire the reason, is so simple that it needs no explanation, because we are all familiar with legislative procedure in both the House and the Senate, and know that one who desires to have an amendment placed in the bill has his friends there so it can be placed in in the Committee of the Whole. The result is that rather than have the question raised and have the committee turned down when it gets into the House we are accustomed to accepting the amendment if it has once been passed in committee.

Mr. KITCHIN. Do you require a two-thirds vote?

Mr. FREAR. Yes; that is what I suggested in my bill which, of course, is only a tentative measure to place before the committee a suggestion of what might be done.

Mr. TINKHAM. Do you require a two-thirds vote to decrease or increase an estimate?

Mr. FREAR. No; a majority should decrease the amount as to-day. Let me say, if I may, I have been charged in this letter of Representative Stevenson which has gone to different members with a criticism of the Congress. It has not been my intention to place a criticism upon my associate members or my colleagues, individually. I have criticized, as I believe, every member ought to do, anything that I believe is imperfect in our legislative practices, but I have also gone to this extent—I have stood alone on the floor of the House and I have condemned others who usually criticized Congress and members and secured an investigating committee because I thought it was abusive and not warranted. You gentlemen are familiar with that fact, and I did so because I jealously regard the dignity of the House and Congress as much as any member, and never will allow anyone outside to question the honesty of individual members. I speak of false charges made by a political league. But measures come from the people back home who ask for local appropriations and they are very insistent and they say "If you don't get it through you can't come back." It may be no criticism of the member that can not get legislation through, because it always has two viewpoints, the local and the enlarged view.

Mr. HAWLEY. A moment ago you spoke about the fixing of responsibility on the Executive as an issue on which to go before the country.

Mr. FREAR. Yes.

Mr. HAWLEY. If you followed that out to its logical conclusion it prohibits Congress from initiating policies of a constructive nature on which to go before the country.

Mr. FREAR. I fear you fail to get my idea on that. You have your various committees, the same as you have to-day. We have all the committees that we need to retain in addition to the budget committee, but those committees will not have full legislative power. Now, let us take the Public Lands Committee, for instance. The Public Lands Committee reports in favor of a proposition for any amount of money, \$100,000,000 or \$500,000,000. That is then reported to the House as a policy that the Congress believes ought to be adopted. It is reported to the House and is acted on. Say the House, by three-fourths of its membership, and the Senate in like manner, supports that proposition, as I say it seems to be inconceivable that the Executive with that expression of opinion would fail to place that measure before the Congress in a budget proposition. If he does then the issue is drawn between Congress, which favors it, and the Executive who does not. Then you have a square issue, the same as you would have it, as I said, in the European situation.

Mr. BYRNS. Mr. Frear, does not your proposition destroy the old idea of majority rule, and does it not do this: If you are going to vest in the Executive that enormous power and deprive a majority of the legally-elected representatives of the people of the power to express themselves as to appropriations, which frequently, as has been suggested, and in all instances practically carry a question of policy, would not you have this result, that you would find Members tracking down to the executive office for the purpose of getting the Executive to include their particular proposition in the estimate and thereby make of Congress a rubber stamp, such as you never heard of before?

Mr. FREAR. That is not the effect of the gadget committee, but you mistake, if I may call your attention to the fact, when you say that Congress itself can do these things. Congress can not adopt a legislative policy alone. It takes the Executive to pass upon the appropriation bill. We have to have a two-thirds majority in case there is any objection, and the only way we can overrule the Executive is to have so many necessary projects put in the bill along with the unnecessary ones that he feels compelled to sign the bill rather than to veto it. We have that division of authority to-day. The only difference is it originates with the Executive. But if the legislative branch desires to show the policy Congress would adopt, then it is for the responsible branch of the Government that has to do with the expenditure of money to say is this the time? is this the proper place for it? That, I understand, is the purpose of a real budget.

Mr. BYRNS. But ought not Congress to have the right, by a majority vote, to present a constructive policy, if it desires to do so? Of course, the President can veto it if he desires to do so, and there the issue.



Mr. FREAR. The only difference is, in one case you veto an appropriation bill; in the other you veto a policy.

Now you have the right to determine a policy in the legislative branch just as you have to-day, just as you have in all European countries that have adopted a budget. I do not see any difference in principle.

The CHAIRMAN. Would not it work out like this, that all the legislative committees of Congress would enact legislation which would become the policy?

Mr. FREAR. If approved by Congress.

The CHAIRMAN. And if the policy involved the expenditure of money in the next budget the President would include it in the budget?

Mr. FREAR. That is the way it works to-day in every country, as I understand, if insisted by the ministry. You would not be a rubber stamp. We would determine policies just as we do to-day. We would be in precisely the same position. The only difference would be that the Executive would have authority to place it in the budget.

Mr. TINKHAM. Mr. Frear, would not this be so, and apply to Mr. Byrns's question about the majority rule, that when the budget came to the central committee, if we establish it, that committee, representing Congress, could by a majority vote revise it?

Mr. BYRNS. Why do you allow the committee to revise by majority vote and not allow the House to do it?

Mr. FREAR. Revise which, the appropriation?

Mr. BYRNS. Yes.

Mr. FREAR. I feel that the committee itself—I do not remember whether my bill which I offer provides for that, excepting to reduce in amount; but after it went on the floor of the House no matter should be added to the bill except it came up by a two-thirds vote.

Mr. TINKHAM. But, of course, you would allow the central committee by a majority vote to change any recommendations of the Executive?

Mr. FREAR. I am trying to think what that bill was, because I have not seen it for months. I have just returned. But I do not think that bill provides for any method of procedure for the budget committee, except by a cut in items. I think it ought to be practically unhampered in reductions.

Mr. TINKHAM. The majority of the budgetary committee?

Mr. FREAR. Yes; the majority of the budgetary committee. But so far as putting an item in by a majority vote, I think, that is a mistake.

Here is another situation that I think is of value, and I do not care to refer any more to this letter, because it is a personal matter and if it is worth while I can take it before the House, but I do not feel that is necessary. There are other matters I have marked in the letter for answer, but I do not care to further occupy the time of the committee.

I have tried to show clearly the features with the present so-called pork barrel bills that were mentioned by the gentleman who preceded me—the weakness, as I see it in the present system. The suggestion is made here that I have had in mind for a long time, that if you adopt a single committee and have on that committee men taken

from the various committees that are in existence to-day, whether they be the chairman of those committees or others from the various appropriations committees, they will be familiar with the matter that will come up for consideration and subcommittees can be set up by the budget committee from such membership. We will not have anything like the amount of hearings that we have to-day, or ought not have under such a plan, because if the audit is satisfactory, if we have capable people to do that, that ought to do away with one-half of the hearings we now have. We would have experts in advance, men who are in the departments acting for Congress and who would act it on the part of Congress and give us the benefit of their information.

Then the budget committee would have for a time each departmental bill turned over to its subcommittee and that committee would consist of at least some of the members who have served on appropriations committees having charge of the particular work. After a while this will work out smoothly and effectively.

Of course, in the first place, you have a new proposition, like anything else, but we have had it in existence before. Men who stand high in this Government, including particularly Mr. Taft, have made the suggestion which is worthy of a great deal of consideration, that a single committee will obviate and do away with many of these wasteful methods that we have, and which are liable to grow instead of lessen, in my judgment. He has well said any other method would be academic.

Mr. BYRNS. Would you have that committee report legislative as well as appropriation bills?

Mr. FREAR. I have not considered giving it that power.

Mr. HAWLEY. Mr. Frear, would not that make the appropriation committee, which would be made the budget committee under the proposal, a political committee for certain purposes? The question of revenue is a political question in this country, and if you give that power to the committee on budget in the House—I am just asking for your opinion—would you not make that committee for certain purposes a political committee, and ought it not be free of politics so far as possible?

Mr. FREAR. I do not know as to that, and for this reason: Your budget committee is to do what? To pass on the estimates of the administration. It is supposed to raise issues, political issues, if you choose, where the necessity seems to arise, and I do not care which side it may be on. If your budget committee has the right to raise the revenue as well as to oversee the matter of disbursements, would it not be in the position to raise that issue before the people and fix the responsibility squarely on behalf of Congress as against the administration? It would seem to me it might be proper to have the party in control with a majority decide on the revenues as well as disbursements.

Mr. BYRNS. As I understand you, your idea would be to deny to at least a majority of Congress the right to initiate any new service by way of appropriations?

Mr. FREAR. By way of appropriations.

Mr. BYRNS. And would that same question apply to the question of revenue? Suppose the President recommended certain tariff legislation, would you deny to a majority of Congress the right to—

**Mr. FREAR.** No; but your budget committee would be made up of a majority of Congress. My idea is that your budget committee——

**Mr. HAWLEY.** Not a majority of Congress.

**Mr. FREAR.** I mean of from the majority political membership.

**Mr. HAWLEY.** Let me ask you a question: Suppose we should have in the White House a Democratic President, a thorough believer in the free-trade policy, which is possible. And suppose the majority in both Houses of Congress should be Republican and they should report the appropriation bill and the revenue bill, would you have them report them in the same bill or in different bills?

**Mr. FREAR.** Different bills.

**Mr. HAWLEY.** Different bills?

**Mr. FREAR.** Oh, sure. I would feel that the same committee ought to have jurisdiction so they would have charge of both measures, but a revenue bill is entirely separate and distinct, of course, from appropriations.

**Mr. HAWLEY.** I just wanted to get your idea.

**Mr. FREAR.** That is the thought of having a single budget committee. Of course, you can have the dual committees if you choose, because they are different in their functions, but I understand one committee does perform that work in England and other European countries, and it works effectively.

**Mr. STEENERSON.** Mr. Frear, those four or five lines in my letter that referred to you personally, I would offer that with that stricken out. Do you want your letter in answer?

**Mr. FREAR.** I have not put any letter in here.

**Mr. STEENERSON.** No; but you sent out a letter here in which you said that our committee was irresponsible.

**Mr. FREAR.** If this letter goes in, I shall want my answer in.

**Mr. STEENERSON.** There are two or three lines in the beginning of that letter of mine that are personal.

**Mr. FREAR.** You may put the letter in just as it is, and I will ask the committee to accept it in that form, and I will answer the letter, and I will put in a letter that I think will answer the situation.

**Mr. STEENERSON.** I am referring to those lines.

**Mr. FREAR.** It is immaterial to me.

**Mr. SEENERSON.** The letter that I wrote contains an argument on the budget system, which is proper here.

**Mr. FREAR.** That is permitted, that I shall put in a letter in response? I shall be very glad to do that.

**Mr. MADDEN** (presiding). Yes.

**Mr. FREAR.** Now, let me suggest what Mr. Tinkham had in mind. I think that Mr. Tinkham struck it just as I understand it, and we are going to save time, and a great amount of time. If these affairs are handled in this way in other countries, there is no reason why this country should not be able to handle a budget system the same as any other country. First, you are now to have estimates by the administration for the different departments.

Second, we should have an audit on the part of the Congress itself, which it is suggested is going to save a large part of the time which is now spent in endless details. You take away that and you have got those two propositions side by side, and all that is further necessary

would be to have whatever hearings are necessary by the committee at large, which acts on a complete budget of expenditures.

Mr. KITCHIN. The committee would have before it the amount laid out by the President; that is, he is going to say how much for the Navy Department and that goes to the Naval Committee; and do they not have before them the identical estimates, the identical language, the identical figures which this big central committee is going to have?

Mr. FREAR. Yes; your Naval Committee and your Public Buildings Committee and your Rivers and Harbors Committee have no relation to each other under the present plan.

Mr. KITCHIN. Yes; they can still do that if you take the appropriation from them. They can authorize.

Mr. FREAR. I agree with you if you are going to have the authorization, but that would nullify any budget reform.

(Statement submitted by James A. Frear in reply to criticisms of Representative Steenerson relative to a budget system for Congress: Pursuant to an announcement October 3 by Acting Chairman Madden of the budget committee that the letter of Representative Steenerson relative to the budget and any comment thereon in reply could be filed simultaneously as of to-day, the following brief statement is offered for the record:)

The mimeographed letter dated August 15 from Representative Steenerson of Minnesota, in reply to a letter written to Members generally by myself on July 10 was received on my return to the city this week, and delay in reply is due to the fact that a committee of the House has been engaged for many weeks holding hearings in the West.

I will not respond to the personal allusions nor to the comment upon the time that elapsed between the receipt of my letter and reply thereto after my departure from the city, but desire briefly to suggest to the committee what I believe to be erroneous statements and conclusions in Mr. Steenerson's letter and which possibly require no answer on my part.

Those who refuse to distinguish between efforts to expose weaknesses in the present legislative system or any desire to improve methods of legislation, on the one hand, and in the defaming of Congress, on the other, will find little sympathy with their position in or out of Congress. Any Representative or private citizen who fails to point out what he conscientiously believes to be wasteful and unbusinesslike methods of legislation is remiss in a public duty and those who preach the doctrine that "whatever is is right" may justly be questioned as to their own votes and motives.

Legislative methods if improper, wasteful, or unbusinesslike ought to be changed, and no Representative should wait for the public to point out the necessity for such change whenever the need therefore is clearly apparent. It is our duty to clean up our own house and to change methods where they have proven faulty. That is what this budget committee is called upon to do otherwise its appointment becomes useless. As legislation is a compromise so this committee's findings may be a compromise, but whatever the result it is reasonably certain to be a step in the right direction, and the longer the step the better. A compromise that fails to reach fundamental weaknesses in present methods will be disappointing.

In Representative Steenerson's letter of August 15, in reply to my letter of July 10, he says that in the past I have overlooked the fact that the executive branch of the Government has approved every project contained in the river and harbor bill. The fact was never overlooked, and the Chief Engineer of the Army at one time or another has approved practically every project of Congress. The Muscle Shoals and Hennepin Canals, running into many millions; the Trinity, Big Sandy, Arkansas, and many other "waterway" projects are in this class. Hundreds of other projects of like commercial value heretofore approved by Army engineers await further congressional action. Again it is stated in the letter that all public buildings were estimated by the Treasury Department under the direction of Congress. Such estimates have been made without reference to use or necessity, and Congress makes up its

## NATIONAL BUDGET SYSTEM.

Public-building bill generally with one or two projects placed in it, and at least of a majority of districts of the country, which amounts to a vote to put through the bill. It does not appear from past records that it is of importance what kind of a town or city gets the building. That is left to the local Representative to say irrespective of necessity of increasing the Treasury. Those who vote for and support such measures must necessarily be prepared to defend them. The increasing scope of expenditures from the Public Treasury now include large bills for irrigation, water power, flood control, and other growing public-aid schemes. The aggregate reach hundreds of millions of dollars, while no responsibility is fixed under the present plan upon any political party or upon any official for these growing extravagances. They are determined under a system of administration budgetary control, which in turn should be audited by a public official acting for the people and finally passed upon by the budget committee of Congress.

The single budget committee has the indorsement of a respectable number of experts throughout the country, including the President, who appears before the committee to-day and who started the budget committee many years ago, of Fitzgerald, Sherley, Tawney, all of whom were members of the Appropriation Committee of the House in past years, and who have been leading legislators and finance authorities in Congress.

Real budget reform is pledged by political platforms of practically all parties and is in substance the financial plan of every Government in its own country. To use a familiar expression it is "indeed a bold man" who says that all these authorities and pledges can be brushed aside by the fact that we now have a budget system in the loosely prepared estimates prepared by the different bureaus, which, by his letter, is the contention of Representative Steenerson.

Against the contention that our Government is different in form from other governments in relation to a budget system, it can be said, the responsibility of ministers abroad to immediate action may be of mixed good and bad, but a similar result is deliberately reached by our own form of Government by frequent elections of Representatives in Congress and Senate and the election of an Executive every four years, when the electorate may express its approval or disapproval at the polls.

Generally speaking, it will be agreed that the preparation of estimates for Congress should be encouraged by requiring the executive departments of Government to prepare businesslike estimates of proposed expenditures and to fix responsibility for estimates upon the executive department. If it can be agreed, such estimates so prepared should receive the same consideration as the men familiar with expenditures in the several departments. The auditors acting on behalf of Congress, will be able to do much of the work and drudgery and delay now occurring in the preparation of appropriation bills.

The third step which is opposed by Representative Steenerson is that the appropriation committees be merged into one budget committee. The plan that existed years ago in this country and the plan that exists in practically every other government to-day, and is an effort to accept full responsibility for its position on appropriations, and to have one committee control all expenditures. The present system of committees that now have no relation to each other, and the present system results in needless waste in legislative time.

Any system which would retain in present form the separate appropriations and authorizations of expenditures, independent of each other, is of little value, and by indirection, would perpetuate the present system. Any reform should be real, if to be of any value.

It has been suggested repeatedly that Congress should give its prerogatives in giving one committee authority to prepare estimates, because it would result in a large limitation of expenditures in the several appropriation committees. The House Committee on Appropriations, undoubtedly represents this plan. It is recognized to exist, but a real budget program requires the setting out of a single budget committee. Any other plan would leave the administration to close estimates without the control of the legislative body, which will continue to act through the appropriation committees unrestrained and unrelated to the control of legislative expenditures.



**SATURDAY, OCTOBER 4, 1919.**

**STATEMENT OF HON. HALVOR STEENERSON, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF MINNESOTA.**

**HON. JAMES W. GOOD, *Chairman Budget Committee.***

Several so-called budget plans have been introduced. The McCohmick plan of last session and the plan I have offered this session, I believe, meet every test. Others offered hereafter may be equally good or possibly better. Bill H. R. 1201, known as the "Good bill," starts well, but gets nowhere. It ties up the administration to a plan and then turns loose the legislative branch where the real trouble lies. Its passage will not effect the desired irre-

sponsible committees, pork-barrel legislation, or enormous waste of time and money now involved. If accepted in present form as a "budget bill" it will proably postpone any real budget legislation. Whatever its purpose, it does not deal with the legislative reform promised by both great parties in their national platform.

No pride of authorship exists, as the subject is too large for that inference, but a plan to be effective must wipe out all appropriation committees and substitute a real budget committee. If the Good bill is accompanied by a positive change in House rules, like that proposed in resolution 83, it will approach a comprehensive budget system. Otherwise it provides no legislative reform, while further "investigations" proposed in the Good bill may serve to hamstring efforts of Senators and Representatives who for many years have tried to secure a real budget system. In the sundry civil bill passed last week the Senate provision for a commission to report to Congress a definite budget plan is reported to have been stricken out by the insistence of the House committee. The provision was urged by Senators who for years have supported a genuine budget reform. The situation is plain. A real plan or makeshift plan is the issue, and the promise of the Republican and Democratic platforms for real budget legislation should be kept.

Very sincerely,

? ? ?

You see he repeats there that these committees are irresponsible.

Mr. TAYLOR. Incompetent and irrelevant!

Mr. STEENERSON. Now, being a member, and having been a member for 16 or 17 years, of an appropriation committee, and now being chairman of the Committee on Post Offices and Post Roads, which appropriates between three and four hundred millions of dollars annually, I felt aggrieved at the view taken that this committee and its members were irresponsible, and I began to study what is meant by "responsibility." It is frequently stated here, and I have made a study of it. I followed Mr. Edward A. Fitzpatrick in his very recent work on the budget system, and he deals with this subject of responsibility there. We often hear it said that the President is responsible, and the Cabinet officers are responsible. Mr. Fitzpatrick points out that that is at least, rather inaccurate.

The origin of that word comes from the responsible Governments in Europe, parliamentary governments, and not from our Presidential Government. You can not have that responsibility when you have the term of office of the President fixed at four years, because it does not make any difference what he does; unless it is impeachable you can not remove him.

The Cabinet officers are not elected by anybody. They can not be responsible to the people.

The "responsibility" that was used in parliamentary discussion is the responsibility of the Cabinet officers in the continental system and the British system, and that is a continuing responsibility, that I want to call your attention to. There, whenever the prime minister and the members of his cabinet propose anything of importance, and they fail to command a majority of the elected members of the House of Commons, they have to resign and go before the country. That is the established practice; so that, within 30 days, or 10 days, there will be a plebiscite before the British people to determine who is right, and who is wrong. Their continuance in office is dependent upon the approval of the House of Commons first, and secondly, if they have not got that, it depends upon the approval of the electorate of Great Britain.

That is a responsibility that is continuous, and its influence is constant. A man is laboring all the time under the influence of that. "If you have not got the support of the people, and if you do not act in obedience to the manifest will of the people, you are out."

Now, in the form of government that we have it is entirely different. As stated by Dr. Temple here the other day, the framers of our Constitution had in mind the separation of the powers, judicial, legislative, and executive. The legislative is entirely distinct, under our Constitution. Our Constitution vests the tax-levying power, the control of the purse, in Congress, in the legislative branch, preferably, or rather in the House of Representatives, because the practice under the Constitution as interpreted is to have appropriation bills as well as revenue bills originate there.

The power to levy taxes is of the very essence of government. It is government. Without it, your power is absolutely a mere form. The people of the United States have intrusted this power to their elected Representatives. They are required to be elected every two years. Every two years they must submit their stewardship to the voters. So that, so far as the word "responsibility" is concerned, it is more applicable to Representatives in Congress than to any other part of the Government.

Mr. TAYLOR. We are more responsible than anybody, are we not?

Mr. STEENERSON. Certainly; more quickly responsible; although we can defy their will for two years. Over in Great Britain you might be called out in two months, within 60 days, to submit your case to the electorate.

So that the executive branch of the Government is not responsible to the people. We elect here, with all due respect to present incumbents—I am not referring to them, but I am referring to the system of government—we elect here an autocrat for four years, and he surrounds himself with eight or nine—

Mr. BYRNS. Ten.

Mr. STEENERSON (continuing). With 10 what they call "Cabinet officers"—Cabinet ministers. They are not Cabinet ministers; they are heads of the departments; but we borrow the term "cabinet minister," from the cabinet system of the parliamentary Governments of Europe, and consequently we are burdened with a lot of ideas that do not belong here.

Now, these men are not responsible; they are not elected by anybody. Most of them could not be elected to any office. I do not know; perhaps they could. I would not want to say that they could not.

Mr. TINKHAM. Mr. Glass was elected, was he not, for 20 years, to the House of Representatives?

Mr. STEENERSON. Yes. We have several others that have been elected.

Now, the plans that have been proposed can be divided into two kinds.

Mr. HAWLEY. Before you pass on: If a member of the House of Commons accepts a cabinet place, he must submit himself to the electorate to be elected again?

Mr. STEENERSON. Yes. It makes it so much the more binding. The budget system proposed can be divided into two kinds. Mr. Fitz-

patrick in his book has discussed this with great ability. The first kind he describes as the executive budget, the other is a legislative budget.

The executive budget is the one that is discussed by Mr. Frear in his remarks here, and the reason for its adoption and the criticism of the present situation may be summarized in this: There has been extravagant waste in the Federal Government of the United States. Congress is to blame, largely, and in order to bring about economy and saving we must curb Congress and increase the power of the executive branch of the Government. That is the remedy. It is, then, by having this executive budget, which comes from the administration, or the head, the President or the Secretary of the Treasury, and is subject to change, so far as the insertion of new items is concerned only by a two-thirds vote of the House; and then new items have got to stand aside until these preferential items of the administration are taken care of.

This matter has been debated in a great many places in cities and States. This kind of a budget was proposed in the constitution that was recently voted upon in New York. The constitution proposed to hamstring and handtie the legislature so that the governor was the whole thing, and that the people's representatives had nothing to say except to ratify what he proposed. They were reduced to a ratifying body.

That was submitted to a vote of the people and was defeated by a vote of 200,000. I do not believe that the American people desire such an increase in executive power at the expense of the Congress.

Mr. TAYLOR. Was that one of the main issues, do you think?

Mr. STEENERSON. Oh, yes; so recognized. It was taking away from the people their rights.

Mr. TAYLOR. I mean, was that one of the reasons why the majority was so overwhelming?

Mr. STEENERSON. It was so conceded. Those who were familiar with it at the time so understood it.

Mr. TINKHAM. There were other issues?

Mr. STEENERSON. Oh, of course; there was the whole constitution, but that was one of the main reasons why the people voted it down.

Now, I want it distinctly understood that I am in favor of budget legislation, but not the executive budget that has been proposed. I am in favor of budget legislation that will fix responsibility for estimates and budget proposals on the head of the administration. Under our present system there is no concentration of responsibility.

Now, we can increase the responsibility of the Chief Magistrate of the United States, not because we can undo his tenure of office as we can that of the premier of the British Government, but he has a twofold position. Every President, so far as I have known, of the United States occupies a twofold position. Some fill the one more completely than the other. He is the President of the United States and he is the leader of his party. As the President of the United States, his term of office is fixed.

You can not touch him, so that that responsibility is very small. Perhaps when his second term is about to come in—or when he is about ready for a second term—it might have some influence. But as leader of his party he has responsibility before the next ensuing election, and therefore I think we should adopt what may be called

a legislative budget, that is, a budget that is prepared by the Executive; or in other words, it is an elaboration of the present system of department estimates for appropriations asked for. I said here in my letter to Mr. Frear that the statute of 1909 had been ignored. I still think so, although I am very much interested in the explanation given by Secretary Taft and the Secretary of the Treasury as to why they did not do anything. I think it is a very narrow construction of the act to say that it was not applicable. It comes near being a mere quibble. A friendly attitude toward that law would have required a compliance with its terms.

But if we have not got a law like that, we ought to have it. We ought to require budget proposals from the Executive. That is the technical name as used by these writers, as distinguished from the budget itself, which is appropriating law.

The budget proposal now consists in the Book of Estimates, embracing the estimates of the different departments and the independent commissions, and bureaus. They should be, as I thought they ought to be under the law of 1909, digested and presented in budget form.

If we have Mr. Good's bill or some similar bill that requires the establishment of functionaries in the White House, in the President's office, to enable him to prepare his budget proposal embracing all the estimates that are approved by his administration, and then the state of the revenue, and new taxes if any are to be levied, and what character of taxes are to be proposed; such a statement would come in the shape of a message to Congress, and be in the shape of a real budget proposal.

Now, in regard to the committees; it seems to me that the proper thing would be—and I am confirmed by what has been said by the Secretary of the Treasury this afternoon—when we had such a formulated budget proposal showing the financial condition, and as suggested by Mr. Good exists in the British Parliament, a review or at least a basis for comment on the financial outlook.

When the message came we could resume the old practice of having the budget proposal placed on the calendar of the Committee of the Whole House on the state of the Union. We used to have a very lively time in the House, in times gone by, in discussing the President's message, because it embraced all the activities of the Government, all the bureaus were mentioned, and further, reference was made to the report of each bureau.

Even as late as Roosevelt's day, that was the practice.

We could then have a debate upon the presidential budget, and then the country at large would find out what the opposition party in Congress thought about the budget proposals, whether they showed extravagance and unusual increase in the expenditures, or whether there had been retrenchments; and it would be defended by the majority party. Now there is no use trying to get around the fact that this is, and always will remain, as long as our present institutions exist, a government of parties. It is a party government, and the function of the minority is to find fault with and criticize the proposals of the majority. In that way only can the people be informed as to the true facts. It is well known to everybody who studies our political institutions. I once read a very interesting book on administrative law, and how easy it would



creep into administrations because only one side was represented. The world admires to-day the wonderful completeness of the jurisprudence of the United States and of the Anglo-Saxon people generally. Why? Because both sides are represented; and if there is any attempt to deceive anybody it is generally detected. You first hear both sides, then determine. The same thing applies to governmental affairs, and the minority in Congress performs a function just as important as the majority.

This opportunity should be availed of to discuss the financial situation in the Committee of the Whole. The Secretary of the Treasury, Mr. Glass, said a moment ago that there was not often more than a bare majority on the floor when the appropriation bills were passed because the others were not interested in the bill. He said if his proposal went into effect it would attract the whole House. As near attracting the whole House as can be is to have the Committee of the Whole House on the state of the Union, of which it requires 100 to be a quorum. A thorough debate upon that question would be the field day of the session. That would lay out the whole program. The President would then be more in the attitude of the leader of his party, and he would be supported by the lieutenants in the party; so that there is no reason why the most thorough discussion should not be had. I advocate this in my letter. That letter was written before I ever saw Mr. Fitzpatrick's book, but I notice that he there advocates the same thing. That is to say, that the Committee of the Whole House on the state of the Union is the proper committee of the House to discuss the budget as a whole.

When the budget proposals have been discussed they will be referred to the appropriate committee.

The practice that has prevailed lately of simply coming and presenting things by piecemeal, without an annual message, of course, makes it absolutely impossible to know what is going on.

Mr. BYRNS. Would it be your idea that the Committee of the Whole should take any action, or merely take part in the debate?

Mr. STEENERSON. I think the Committee of the Whole might take action. If they were against any proposal they should be authorized to make changes, and then go to the committee with that.

Mr. BYRNS. That is, to give instructions to the various committees?

Mr. STEENERSON. Yes; to give instructions to the various committees, because the committee has got to go back to the whole House with the appropriation, anyway, so that they might as well have their instructions in advance.

Now, the improvement in affairs that would come about by this legislative budget, by this concise and consistent presentation of the financial needs of the country, as described by the Secretary in his plan, if it was substituted as a budget proposal to be submitted to Congress, would give us more information than we now have. I recall some years ago, I think it was the first address by the President to Congress. The Postmaster General said in his very first annual report that he recommended the purchase of the telegraphs and telephones of the United States, which would involve the expenditure of more than the total amount of all the expenditures of the Government. In what was said by the President there

was not a word of utterance in regard to that. I tried on the floor of the House to get some information as to whether it had the approval of the President, and I do not know whether I did it or not, but I know I was thinking about introducing a resolution and asking whether it was approved.

We have instances now where one bureau comes in and asks for large sums without any knowledge on their part whether it is approved or not. This would be done away with if we had a budget proposal regulated by law, as is proposed in this plan outlined, at least in part, in Mr. Good's bill. That is what I favor.

Now, the members of the committee in asking these questions covered these very items or points that I have in these last three pages of my letter. For instance, there is the question of the possibility of having hearings before one committee. Mr. Frear, in his own letter, says that these hearings are so long that no one man can read them all. If that is true, how could one committee hold them? The alternative would be that you would have to have as many subcommittees as there are now appropriation committees, and it would involve the placing of the burden upon those who have no training whatever in many of these things. And if you did not do that, the other alternative would be to make the appropriation in lump sum.

Now, whether appropriations should be made in lump sum or segregated is a much debated question. Several of these theorists that wish to emasculate the Congress and make it a confirming body to the executive, say, "Make lump-sum appropriations." I have had some observation in regard to that. I am a member of a commission on postal salaries, and we are to recommend reclassification and readjustment of salaries of 300,000 officials and employees. We have held hearings in Boston, New York, Chicago, Minneapolis, St. Paul, and Cincinnati, and we are to go south. We are to hold hearings here, now, in Washington next week.

We have heard several hundreds, and we have talked with a great many, and I find this as a result, something that I did not know before, that in order to have a satisfied corps of employees in any department you must not entrust too much discretion to the superiors. The great grievance that we have come across is that, by reason of the exercise of discretion vested in superiors, they are not satisfied. They think they are unfairly treated. We find that they complain of discretion exercised against them. So in promotions: and do not know whether it is true or not, but in many instances they claimed there was favoritism, that there was political pull, or that there were other circumstances. But what they all want is a law governing their promotion as near as possible, so as to leave as little to discretion as is practicable and consistent with good administration.

Now, that is inherent in every American citizen to feel that way. It is as true of these men as it is of you and me. We want to live in a government of law and not of men, and if their compensation and their promotion are in the discretion of some superior, they easily feel dissatisfied. But if they can get Congress to prescribe it by law as much as possible—of course it can not be done in every detail—they will be satisfied, even if they have no better position. So that I find, in studying this question, that what the employees of the Gov-

ernment want is to have Congress prescribe the salaries and conditions of promotion as near as possible, because they do not like to have favoritism—or they think it is favoritism—and they will be happier, more efficient, if Congress yields in that regard. That is simply a thought that grows out of the proposition that if you have one committee you must either have as many subcommittees as you now have committees, or you must have a lump sum to be distributed at the discretion of the administrative officer; and if you do that I believe from our experience, and especially the precepts that we have now on the floor from the Committee on Appropriations, that it will lead to extravagance and waste and injustice.

Mr. Good. Mr. Steenerson, suppose there was constituted a larger committee, whether it is called the committee on the budget or the committee on appropriations, made up of the members of the various appropriating committees, and then divided into subcommittees, so as to have consideration of the budget as it relates to the department of which that subcommittee has particular and technical information, in order that the Congress might, early in its session, be impressed with the total financial needs in a more forcible way than it can possibly be just by the presentation of a budget by the Executive, what objection would there be to that sort of plan, the advantages of which have been so forcibly pointed out by many persons?

Mr. STEENERSON. Well, it is like a great many other things; it looks fine when it is pictured by an artist of vivid imagination. But I believe in these things we have got to go step by step, and feel our way.

This Government is built up by experiments and trials, and I do not think that a scheme of that sort would work as well as the one I have suggested, that the budget be considered in the Committee of the Whole. I can see no reason on earth why that would not be the best way, and if the rules should be amended so as to require a definite period of consideration, why, that could be done. We ought to have it there as a whole, and I believe that is better than the suggestion that you just made, although I have never given it any special study.

Mr. Good. For instance, when that part of the budget would be reached dealing with post offices and post roads, it would be expected naturally that the chairman of the subcommittee, who had technical information on that subject and who was a member of that committee, would explain and defend those items, so that in real practice it would work out about as the committee now functions, but it would be able to give Congress an opportunity for an early discussion and debate as to the whole project, whereas now that is denied to them.

Mr. STEENERSON. I still think that the plan would not be as efficient as the one we have got, of having a standing committee consider, for instance, on post-office matters. It takes weeks for the Committee on Post Offices and Post Roads to prepare its bill, and each of these bureau's representations are heard and examined minutely, and if there is any question proper inquiry is made, and they are sent for and others are sent for to explain. I can not see how this could be done by one committee. There is not time. We must always remember that our present committee organization is an outgrowth of necessity, of experience, and is founded on the

theory of a division of labor, and hence we have the various committees that possess members of long service and who have studied these different specialties. In order to be of much service in Congress you have got to be a specialist on something, because if you undertake to study all the multitudinous affairs of this great Government to-day it is beyond the power of any one man.

I presume there never was a more talented and brilliant and able man than James R. Mann. He undertook to keep track of all the affairs of the Government, as the representative of the Government in appropriations; and let me say right here that an appropriation bill gives the best insight into the actual operations of the Government of anything I know of. We all know that he overworked, and no man could do the work that he did without breaking down, and most men would probably have broken down long before he did. Therefore it is necessary to have a division of labor, and we must place confidence in those committees that have these things in charge: and if you expect to have one committee to do the detail work you will be imposing a task that is absolutely impossible.

Mr. BYRNS. What do you think about limiting the powers of Members on the floor to increase an appropriation?

Mr. STEENERSON. Limiting what?

Mr. BYRNS. What do you think of limiting the power of a Member to offer an appropriation, or limiting the power of the majority of the House to increase an appropriation? It has been suggested that the majority ought not to have the power to increase an appropriation.

Mr. STEENERSON. I think the good judgment of the House of Representatives usually prevails. Of course, there are times when we get letters from all over the country from our constituents, from people that do not know a thing about it, asking us to increase an appropriation above the estimate, and no harm is done. If you appropriate that way, the money is not needed, and it goes back to the Treasury the next year, so that it is of very little consequence. Such a case would be rare. I do not believe the people would like to have their Representatives limited. Whether we represent a metropolitan district, in the city of New York, or one out in the Rocky Mountain plains, or out in the valleys of the Pacific, or in the great Mississippi Valley, wherever we come from we like to feel that when we are in the House of Representatives we are in the House of our equals. Everyone is possessed of the same official privilege and power and right. So that if we limit this, it gives a special power to those on the committee.

Mr. BYRNS. Do you not think where a Member of Congress may possibly have made an issue in his district upon some new service of the Government, that as a representative of the people he ought to have the privilege of presenting that matter upon the floor and having it passed upon by a majority of his colleagues, rather than to be bound by the judgment of some executive?

Mr. STEENERSON. Yes, I believe that the people ought to be heard. The responsibility rests at the next election upon the party in power.

Mr. BYRNS. That is right.

Mr. STEENERSON. A leader of that party is restrained, if all the things are known. But where these things are decided as they have been lately, so that we do not know what the right hand is to do to the



left, and one department proposes one thing and another proposes another, then, of course, there is chaos. I do not wonder that the public funds have been somewhat wasted by reason of that, and, of course, it is incident to the great excitement of the war, and it is all excusable on that ground. Now, that the war is over I think we ought to look this squarely in the face and we ought to provide something of this kind; but I insist with all the fervor that I possess that we must not break down the Constitution of the United States, which vests the power of taxation and the purse strings of the Nation in the House of Representatives; and to deprive a man of the right to propose an increase of an appropriation or a new appropriation will deprive his constituents of the right to be heard on a new public service. There is social service everywhere. Some people want the educational system enlarged. Now, there may be a special reason in one locality for immediate attention to that. Others may want to undertake some special beneficial service of the Federal Government to the people, and it ought to be submitted to the Congress, those men who have been elected by the people themselves at a recent election.

Mr. BYRNS. And it would amount to transferring that right to the Senate and the executive, who, as you stated at the outset, are not so closely responsible to the people as we are?

Mr. STEENERSON. Yes; that is so. I have sometimes thought that if some scheme should be devised by joint rules to limit service in making appropriations, it would be in the interest of economy; but I am afraid it would never go. They would never consent to it. They are the most jealous of their power; and they have increased their prestige within the last 25 years very greatly, until they are regarded now as the dominant branch of the National Legislature, instead of the House of Representatives; and if we surrender any of our power now to the executive, which this proposition of Mr. Frear's and of Mr. McCormick's and Mr. Glass's proposition would do, we would become simply a ratifying body. We would simply say yes. We can not enlarge; we can not carry on against them.

They have the first chance at the appropriations, and after they get through, if we get two-thirds majority we can get something. And as suggested by the gentleman himself, if they cut an item of appropriation, like they did for one bureau that they did not want, they can punish, and they would perpetrate injustice.

Now, talking about responsibility again, I recall, and you all recall, how keen the sense of that is in the House of Representatives. There were a great many Republicans and Democrats a few years ago who did not believe in civil service. They wanted to get the old spoils system back; and every year, when the appropriation for the Civil Service Commission came up, they would vote the appropriation down in the Committee of the Whole, where there was no record vote; but the minute that the public eye was on them they would reverse themselves at once on a roll call in the House. I remember it, when I first came here, and you remember the same thing. That shows that the public was in favor of civil service and that the other was simply responding to their own desire to control the spoils.

I am afraid that I have detained you longer than I should have. I feel very deeply on this matter, that you must not recommend any-



thing to diminish the power of the House of Representatives, who are the representatives of the people. We have too much Executive Government now. We have had to endure it as a war necessity. Let us not carry it out any further. I could read from that book which I quoted where the author points out that, for instance, in autocratic Germany there always was that kind of an executive budget, and that it must go through. They controlled the purse strings themselves, and he says positively that after all his study of the different plans, the only logical result of this executive budget is autocracy and diminishing the rights of the people. Thank you.

Mr. Good. Thank you very much, Mr. Steenerson, for your statement.

(The extract from the work referred to, *Budget Making in Democracy* (1919), is here printed, as follows:)

SUMMARY: THE LEGISLATIVE FUNCTION IN BUDGET MAKING.

Definite responsibility for the final form and amount of the budget is on the legislature. This is merely another way of saying that control of the purse strings is, where a thousand years of Anglo-Saxon history says it should be, in the legislature. The executive's part in budget making is merely preparatory; the legislature's part is final. The responsibility placed upon the executive is for full, accurate information; the responsibility upon the legislature is for decision upon appropriations in the light of all the facts, both those submitted by the executive and others.

Budget making must therefore in the final analysis be a legislative function, and American democracy will not, if it realizes what it is doing, tie the hands of the legislature in any way in the budget-making process."

My letter to Mr. Frear follows:

COMMITTEE ON THE POST OFFICE AND POST ROADS.

HOUSE OF REPRESENTATIVES,

Washington, D. C., August 15, 1919

HON. JAMES A. FREAR, M. C.,

*House of Representatives,*

*Washington, D. C.*

DEAR SIR: I have received yours of July 10, relative to a budget system also your printed remarks and bill on the same subject.

Your argument is that it would be in the interest of economy and efficiency that all appropriations by Congress should be passed upon by a single committee, rather than by "over twenty irresponsible congressional committees. Your plan contemplates a concentration of power, compared to which "Canonism" in its palmyest days would be but a shadow. The few congressional districts whose Members happened to be on that all-important committee would have an unchecked and undue influence over all legislation. It is a plan in the interest of augmenting executive power and diminishing the power of the people's direct representatives.

\* \* \* \* \*

The unfairness of your course in this particular becomes plain when it is recalled that in your criticisms of Congress for river and harbor appropriations you overlooked the fact that the executive branch of the Government had estimated for and approved every project contained in the bill.

And so with regard to public buildings. They were all estimated for by the Treasury Department. At every session of Congress in the 17 years that I have been a Member, the appropriations as a whole have been less than the estimates, and last Congress the reductions amounted to more than a billion dollars. In the present Congress the appropriation estimates have been cut a billion and a half.

Your plan contemplates increasing the power over appropriations of the Executive at the expense of Congress. Why should that branch of the Government which has been the most responsible for wasteful expenditures and extravagant appropriations have increased power, and that which has accomplished a saving be reduced in power—and all this in the name of economy? The

real interest behind the plan, whether you are aware of it or not, is autocracy and despotism, encroaching upon the rights of the representatives of the people. Your letter criticizes Congressman Good's plan, H. R. 1201. In my opinion, that plan is the best so far proposed and may possibly bring about good results. The statement that there is no budget system in the United States, so frequently heard, is a fallacy. The Revised Statutes section 7, Thirty-fifth Statutes at Large, page 1027, prescribe in minute detail the manner in which the heads of departments shall prepare and transmit their estimates of expenditures and appropriations. On or before October 15 of each year these shall be transmitted to the Secretary of the Treasury, who is required to include them in the Book of Estimates which he transmits annually to Congress, and of which every Member receives a copy. Upon the receipt of the estimates the Secretary of the Treasury shall estimate the revenues for the fiscal year, and if the estimates for appropriations exceed the estimated revenues, he shall at once transmit a detailed statement to the President. "to the end that he may in giving Congress information of the state of the Union and in recommending to their consideration such measures as he may judge necessary advise Congress how in his judgment the estimated appropriations could with least injury to the public be reduced so as to bring the appropriations within the estimated revenues, or if such reduction be not in his judgment practicable without undue injury to the public service, that he may recommend to Congress such loans or new taxes as may be necessary to cover the deficiency." This, when carried out, constitutes a budget system about as completely as is practicable. The trouble has been that neither President Taft nor President Wilson, possibly for some fancied infringement of the President's constitutional privilege, have complied with the above-quoted act.

Your reference to the practice in England and other European countries, with reference to budgetary procedure, is unfortunate. There they have "responsible government." If over there Lloyd-George should, as you say Secretary Lane did, "propose a half billion dollar land reclamation scheme, camouflaged as a soldiers' bill," and it failed to pass, he would resign and a new Parliament would be elected. Here Secretary Lane proposed this bill in the last Congress and it failed, but instead of resigning he came back with a \$500,000,000 instead of a \$100,000,000 bill, and is smilingly awaiting favorable action. Should it be defeated in this session, no doubt he would come back in the next with a billion-dollar bill.

Postmaster General Burleson, another member of the Cabinet, recommended that the telegraphs and telephones should be retained by the Government, and a bill was introduced in the last Congress but failed to pass. Did he resign? He did not. He came back at this session with a similar recommendation, backed by a letter from the President, but was defeated, and the telegraphs and telephones were returned to their owners. Under the system of responsible government, as known in Europe, not only would the Postmaster General and the Secretary of the Interior resign, but the President would also go to the country. Still you contend that these officials are "responsible," but that we have "over twenty irresponsible congressional committees." The Members of Congress are the only officials elected directly by the people in this Government, and the Representatives can not be irresponsible, for they have to go to the country every two years for the people's approval.

You speak of the fact that the different appropriation committees of Congress hold hearings, taking thousands of pages of testimony which no single person has time to read. You advocate one appropriation committee to consider all these items. If they were to consider them with the same care, they would have to hold hearings for at least one year, and there would be no time to consider the bill at all in the House. Mr. Good's plan, as I understand it, contemplates, first, creating a budget bureau in the President's office, which will enable him to do the detail work involved in reviewing the estimates and recommendations of the Secretary of the Treasury and submitting the same, with his views, to Congress, which duty, though imposed by existing law, has heretofore been ignored, and then it provides for a comptroller general and an accounting department, independent of the Executive, which will not only have supervision of estimates when completed, but expenditures. The probable procedure would be that the President would transmit all the estimates with his recommendations in a message, and when this should be received by the House of Representatives, it would be referred to the Committee of the Whole House on the state of the Union, and that committee would then consider it and distribute it to the proper standing committees. Thus you will

have the benefit of one committee, which you seem to so much desire, and of the various standing committees who have jurisdiction over appropriations. If the Committee on Ways and Means, for instance, of which you are an honored member, should be the only committee to consider the budget, it would be impossible to complete its consideration in time for action, unless that committee were divided into numerous subcommittees. Why a subcommittee of the Committee on Ways and Means should be more competent to consider appropriations, for instance, relating to military affairs, or naval affairs, or post-office affairs, than the appropriate standing committees, who for years and years have developed special knowledge and familiarity with the particular subject, is hard to understand. If, as claimed, both parties are pledged to the one-committee plan, why, in the last six years, has it not been adopted? Simply because the Democratic leaders in both Houses had sense enough to know that it was utterly unworkable and impracticable. Originally all appropriations were referred to one House committee, but the growth of the Government long ago made a division of work necessary. The whole committee system of the House is a system for the division of labor, which enables it to have presented before it for final action the enormous mass of legislation required for our constantly growing governmental activities in intelligent form, with experienced members prepared to explain every item. In no other way could legislation receive equally careful consideration.

Respectfully,

HALVOR STEENBERG.

Mr. Good. The hearings are now closed.

EXECUTIVE CHAMBER,  
Madison, Wis., October 2, 1919

HON. JAMES W. GOOD,

*Chairman Select Committee on the Budget,  
House of Representatives, Washington, D. C.*

MY DEAR CONGRESSMAN: I received your letter of the 20th ultimo in which you kindly extended an invitation to me to attend the hearing on the proposed congressional budget which began on September 22.

I have so far found it impossible to leave the State, and am not certain now that I can find the time to come to Washington in the near future unless it be a very urgent case.

I am in full sympathy with the budget system. In fact, I feel that the time has come when the people of our country will demand a more systematic and thoughtful system of Government expenditures. The country is rich but its riches are not without limit and the people will, for some time to come, support a demand for lower taxes, which, of course, means reduced expenditures by both the Federal Government and the State, which, in my judgment, can be brought about only through an intelligent system of control of expenditures, with due consideration given to the income of the Government.

We have a successful budget system in this State and on August 22 I delivered an address to visiting secretaries of state upon our system. I gave what I believe to be a full explanation of the Wisconsin budget, which is probably what you want for the records of your committee. The address has been printed in pamphlet form, and I take pleasure in inclosing a copy herewith. I hope that it contains the information that you desire.

Yours, truly,

E. L. PHILIPP.

P. S.—I am sending to you to-day a copy of our budget in order that you may have the benefit of the form which we use in this State.

E. L. P

#### BUDGET AND BUDGET MAKING.

Address delivered by Gov. Emanuel L. Philipp, of Wisconsin, at session of National Conference of State Purchasing Agents of the United States, held at Madison, Aug. 27 and 28, 1919.]

#### WISCONSIN STATE BUDGET—INTRODUCTION.

Budgets and budget making are beginning to attract the attention they deserve in this country. There is on the one side a general demand for increased governmental service to the people. As Government activities grow governmental expenditures necessarily increase. There may be added to the

demands made upon the Public Treasury the growing tendency for costly internal improvements, which includes public buildings, highway construction, increased State supervision of public utilities, and I may add greater protection for labor and the development of agriculture, etc.

In our educational system there is a growing and in most cases a legitimate demand for better school facilities, which may be said to include all educational institutions from the rural schools to the university. Charitable and penal institutions are being multiplied, due partially to increased population; and secondly, to a desire on the part of the people to give better care and attention to the unfortunates.

I might call attention to many other new State activities that make tremendous demands for funds and would not wish to even attempt to analyze the great demands that are now made upon the National Treasury.

There is on the other side a constant pressure from the taxpayers for moderate taxation, and if it is fair to say that in municipal, State, and National Government we have reached a point where a judicious expenditure of public funds must be made or we shall create public debts which will be a great burden upon the future and for which they who are not yet here to protest against reckless expenditures which they must pay will severely criticize us, if they do not curse us.

In so far as the administration of public funds is concerned, government is not unlike business. In the matter of resources there is difference, government may collect taxes practically without limit, which may be said to make government resources without limit so long as the taxpayer has something to pay with. On the other hand, business is limited by its capital and its credit. Because it is limited in its resources it must make a judicious use of its funds if it expects to live. Therefore no business can expect to long exist unless it follows an intelligent plan in the use of its capital. It must measure its expenditures by its income or face bankruptcy.

While it may be difficult to bankrupt a great Nation or a State, there is nevertheless an unmistakable demand among the people of this country that public expenditures be regulated with some regard to the public income, and that demand is responsible for the inauguration of the budget system in many States and I feel confident before many more sessions of Congress have passed by a budget system will be adopted by our National Government.

#### OLD METHODS.

In the old days, individual departments and bureaus of departments had bills introduced into the legislature financing their work. Every department was pressing forward its own appropriation. Sometimes several appropriation bills were introduced covering the same subject. Public officers practically suspended the operation of their offices during the legislative session to ingratiate themselves with legislators. A winning personality on the part of the public servant was more important than public service rendered and accounted for, and the prospect of even better public service. No one knew how much it was going to cost to finance the Government during the next fiscal period. Even after the legislature adjourned, it took a long time to find out exactly how much it would cost. But if enough taxes had not been raised, deficiency appropriations at the next legislature corrected any errors. These appropriation acts were placed in various sections of the statutes, and it required the most painstaking investigation to determine, if it was determinable at all, how much the Government would cost. This method of financing Government led to gross inefficiency and incompetency, and was a more prolific source of waste of public funds than graft or dishonesty in public office.

The aim of the budget system was in the first instance to introduce order into this chaos and to know definitely what the Government would cost during the next fiscal period in advance so that a proper tax could be raised. It was this demand for businesslike procedure which helped materially in promoting budget reform.

Accompanying this demand for a businesslike budget, there also came the demand for economy of public funds. Sometimes this was taken merely to mean the reduction of public expenditure. In view of the waste, such a demand was a very legitimate public demand. But people very soon saw that the demand for economy meant not merely a reduction of expenditure but the securing of 100 cents of public service for each dollar of public expenditure. This demand for economy, as I interpret it, does not mean that we should



oppose those things that make for human progress; on the contrary, successful government, like all other successful institutions, must move forward and increase its usefulness to man. The people of Wisconsin, as of every other American State, want a government that is humane in its tendencies, truly progressive, and responsive to the demands of a more complex civilization. In meeting these demands, however, we should not allow zeal to lead us into costly fads, nor should we forget that a waste of the people's substance is not helpful to the cause of human progress.

This is also the view of Gladstone in his much-quoted statement regarding the budget: "Budgets are not merely affairs of arithmetic, but in a thousand ways go to the root of prosperity of individuals, the relation of classes, and the strength of kingdoms."

#### WISCONSIN BUDGET LAW.

The essential features of the Wisconsin budget system are indicated in the budget law, which is as follows:

"Sec. 1512. Budget forms, reports, and procedure. (1) Not later than July 1 . . . in each even-numbered year the board shall distribute to each public body proper . . . forms necessary to preparation of budget estimates, which shall show the actual revenues and expenses, including accruals, of all public bodies for at least the two prior fiscal years . . . and shall show in corresponding detail the estimated revenues and expenses including accruals, for all public bodies for the succeeding biennial period. . . . and shall further show whether and in what amounts the estimates are larger or smaller than the corresponding items of expenditures for each of the . . . years . . . included in the budget report.

(2) Not later than September 1, . . . in each even-numbered year each public body shall return to the board its estimates for the succeeding biennium with full explanation of reasons for changes above or below the corresponding items for the previous biennium. The estimates from all public bodies shall be immediately compiled under direction of the board and reviewed by means of such field examinations and interviews or correspondence as may be necessary to secure full information.

(3) The results of these examinations together with the estimates and departmental explanations shall, between the 10th day of November and the 1st day of December . . . in each even-numbered year, be laid before the whole board, which shall not divide into committee for such review. The governor-elect shall be invited and shall have the right to be present at such meetings or to have a representative attend, and shall be given such information as the board possesses. All reports and information . . . sent to members of the board shall be sent to the governor-elect.

(4) Not later than December 15 . . . in each even-numbered year, the board shall recommend to the legislature a budget which, in addition to giving comparison of estimates for the succeeding biennium with each of the . . . years included in the budget report, shall also give the amounts which the board recommends, item for item, with columns showing whether the recommended allowances are equal to, above, or below the amount requested . . . whether they are equal to, above, or below the amounts for the first year of the preceding biennium, together with explanatory notes which will show the board's reasons for recommending allowances and disallowances. With the printed recommendations and reasons for recommendations shall be included a record of the vote upon each recommendation, where such vote is not unanimous. The report shall include any recommendations which a minority of the governor-elect may wish to have included in the report.

(5) Not later than January 1 . . . in each odd-numbered year, copies of the estimates with the board's recommendations shall be distributed to members of the legislature next to convene.

The board referred to in the foregoing law is the State board of public affairs. Through this agency the governor works out the detailed budgets in cooperation with representatives of the legislature and representative citizens. This board was organized by the legislature of 1911, and consisted at that time of seven members, four of them ex officio: The governor, secretary of State, chairman of the senate finance committee, chairman of the assembly finance committee, and three other members appointed by the governor, such appointments being subject to the approval of the senate. The 1913 legislature extended the life of this board and changed its membership by adding two more



legislative members, the president pro tem of the senate and the speaker of the assembly, thereby making the membership of the board nine. The board is organized with a permanent staff of accountants and other assistants, with a secretary at its head. The governor is the chairman of the board, and the board meets only upon the call of the chairman, the detailed work being carried on by the permanent staff.

The essential provisions of the law are as follows:

1. That the departments shall, during the period of July 1 to September 1 study carefully their whole administration during the preceding fiscal years and plan their work for the future, and embody these plans in financial terms upon the forms prepared by the State board of public affairs, and submit them to it before September 1. Notice that all proposed changes, whether of increase or reduction, shall be explained by the department.

2. The State board of public affairs, of which the governor is the chairman, shall study the budget carefully during the period from September 1 to December 1, culminating in a careful consideration by the whole board during the last three weeks in November. Notice carefully in this law the provision made for giving the governor-elect a voice in the determination of the budget. After this careful review, the State board of public affairs, recommends to the legislature a budget taking into account not merely the relative demands of departments, but also the amount of money available, and such facts as to social needs as are presented to the board.

#### BUDGET PROCEDURE.

Before going into the details of the budget procedure, I would again call your attention to the composition of the State board of public affairs, namely, that it is composed of the executive, members of the legislature, and laymen. It is quite apparent that in this way all interested classes are represented.

As stated in the law, as soon after the close of each even-numbered fiscal year as possible forms are prepared in the office of the State board of public affairs which contain three years of actual receipts and expenditures for every division and activity of the State properly classified. These forms are sent out to the departments with the request that they insert their estimates for the current fiscal year and their requests for the ensuing biennium. In making their requests for the ensuing biennium it is suggested that they give the board of public affairs complete information as to their plans. This information may be placed upon the budget sheets submitted or may be attached as separate memoranda.

The forms containing the three years of actual receipts and expenditures, the estimates for the current fiscal year, and the requests for the ensuing biennium are returned to the office of the board of public affairs about the middle of September, and are then checked, tabulated, analyzed, and investigated.

The analysis and investigation consist of examining all accounts to see the purposes for which moneys are requested and the amounts are likewise checked to see whether the amounts proposed to be spent for the purposes indicated are sufficient, insufficient, or in excess of the actual needs. The investigation likewise takes the form of a field examination. In the case of institutions, the institutions are actually visited, the necessity for building changes and building repairs actually checked by competent engineers and the needs of the farm, etc., actually determined. In fact, every precaution is taken to see that the requests made are necessary and wise from the standpoint of the interests of the State and its activities.

The results of these analyses and field investigations are summarized into report form by the employees of the board. Sometime during the month of November the State board of public affairs begins its hearings upon the budget requests of the various departments, divisions, and activities of the State. At that time hearings are held upon the individual requests. The department head making the request, and such of its subordinates as he may call, are summoned before the State board and given an opportunity to explain and justify their requests and estimates. At this same hearing the employees of the board present the results of their investigations and studies so that the board has complete information before it.

The board then in executive session considers the information which it has received from both sides and in turn makes its recommendations. It should not be presumed from this statement that the two are always at variance, for

such is not the case, as it frequently happens that the two are entirely in accord.

The hearings of the board continue until such time as all the departments and activities have been heard and recommendations made upon their requests. This usually occupies the major part of a month's time.

Under ordinary circumstances these recommendations of the board would be found in columns 9 and 10 of the budget, but owing to peculiar conditions it was not found possible to do this for the last session of the legislature. Hereafter this method will be the policy of the board.

It is therefore quite evident that the Wisconsin State budget contains the original departmental requests, together with the recommendations of the governing board.

#### THE FORM OF THE BUDGET.

The budget proposals as they actually go before the legislature are contained in a book of 343 pages, giving in detail the whole financial program of the State. This book contained a full statement of all receipts from taxes and general sources for a period of four years before the biennium to be financed.

For our State educational institutions, in order to have a definite State educational policy and to prevent overlapping and needless duplication of work, the estimates of the various educational institutions of the State are considered by our State board of education. This board is made up of the governor, the State superintendent, representatives from the board of regents of the normal schools, the university, and from the State board of vocational education, together with five members appointed by the governor upon confirmation by the senate for a period of five years.

We have in Wisconsin only a nominal tax for the general administration of the State government. The money for operating the State government other than the educational institutions, is furnished from corporation and other taxes and not by a direct property tax. At the beginning of this budget are summaries of operation expenses, maintenance expenses, capital expenses, besides the summary recapitulation of the revenues of the Government.

This revenue program as outlined gives the legislature:

(a) Limits within which appropriations must be kept to avoid a general tax levy.

(b) The estimated amount of State revenues inclusive of the regular tax levies.

Three budgets are prepared for each department: A budget for capital, a budget for maintenance, and a budget for operation. A detailed budget for operation of each department and for each service of each department is made up; for example, under the industrial commission there are headings for the safety and sanitation work of the commission, the administration of the minimum-wage law, of the women and child labor, of workmen's compensation, mediation and arbitration, and the like. For each of these headings there are subheadings giving the following information:

Salaries of officers.

Salaries of office employees.

Traveling expenses.

Stationery and office supplies.

Postage.

Telephone and telegraph.

Express, freight, and drayage.

Printing and binding other than stationery.

Miscellaneous supplies and expense.

Across the page the actual expenditures are given for the three preceding years and the estimated expenses for the current year. The departmental estimates for the forthcoming biennium and the recommendations of the State board of public affairs for each item and such remarks as are thought necessary are also given.

At the end of each budget schedule, as, for example, the operation schedule, summary is made which shows the appropriation available to the department or division, the unexpended balance which may have been carried forward, the sum of the two, making a total amount available for the year, the actual expenditures, and the balance remaining at the close of the fiscal year.

## THE BUDGET BILLS IN THE LEGISLATURE.

The next step in the budget procedure is the transmission of the budget and recommendations to the legislature. As you are doubtless aware, the Wisconsin Legislature meets the second Wednesday in January of each odd-numbered calendar year. Each member of the legislature is supplied with a copy of the budget. In the annual message to the legislature mention is made of items of particular interest and importance. As soon as the legislature is organized and the joint committee on finance selected, which committee consists of five members of the senate and nine members of the assembly, the board, through its secretary, presents the budget and supporting information to this committee and volunteers to render any service which may be required in connection therewith.

It may be said in passing that the joint committee on finance has always found it very advantageous to have the secretary of the State board of public affairs take charge of their work for them and to lay out the necessary program and plans.

The procedure before the joint committee on finance is somewhat similar to the procedure before the State board of public affairs. The heads of departments or such of their employees as they care to summon are given an opportunity of explaining the budget requests. Usually there is no disposition to fight the recommendations of the State board of public affairs. If a department head is of the opinion that the board's recommendations are not ample to carry out the program which he feels should be conducted in the interests of his department, he may try to convince this committee of the need for more funds.

The joint committee on finance is in the position of a jury, for it has before it both the original departmental requests and the recommendations of the State board of public affairs. This committee, in turn, in executive session, considers the different phases of the question, and then makes its recommendations in bill form to the legislature.

A separate bill is introduced for each department. The legislators have the complete budget and can fit the individual bill into the general financial scheme. The budget of each department is considered on its merits and in the light of the whole financial plan. There is no opportunity to force appropriations through the legislature by alliances among departments.

After a bill is once introduced in the legislature it follows the same procedure as any other legislative bill except that the rules require that "on the passage in either house of the legislature of any law which imposes, continues, or renews a tax or creates a debt or charge or makes, continues, or renews an appropriation of public or trust money, or releases, discharges, or commutes a claim, or demand of the State, the question shall be taken by yeas and nays, which shall be duly entered on the journal and three-fifths of all the members elected to such house shall, in all such cases, be required to constitute a quorum therein."

## THE APPROPRIATION PLAN.

Besides the ordinary preparation and careful consideration of the budget proposals upon the widest basis of information available in the administration, the Wisconsin budget plan has progressively provided for improvement in the appropriation plan; that is, the strictly legislative aspect of budget making.

You have all probably had experience in looking through your statutes to find out definitely whether a particular appropriation has been made. And unless you were skilled in the use of the statutes it was sometimes a very difficult thing to know definitely, because appropriation sections would be found in the most unlooked-for places in the statutes.

Upon the recommendation of the State board of public affairs the legislature has seen fit to assign to one chapter of the statutes all the appropriations made by the legislature. Chapter 20 of our statutes is the chapter containing these appropriations. If an appropriation is not in chapter 20 of the statutes it was not made. So any citizen who wishes to know how much money was spent for the university, for the charitable and penal institutions, or for the industrial commission, can go to the statutes, turn to chapter 20 and know in a very few minutes the total amount of the appropriation to any one of these agencies and the various limitations made upon this money by the legislature in making its appropriations. This was utterly impossible to do by ordinary citizen in a we older plan.

Another improvement in making appropriations is that a uniform phraseology has been adopted for appropriation clauses. Definite wordings are adopted for the operation, maintenance, and capital appropriations. These wordings were worked out by the State board of public affairs after a careful study of all legal decisions bearing on the question. Department heads can tell whether a certain amount is appropriated for a certain purpose, whether such amount must be used within the year, or may be carried over. Careful distinction is made in the wording of the appropriations between lapsable and nonlapsable appropriations.

Another characteristic of our legislative plan is the provision for continuing appropriations. Under this plan the money is appropriated to the permanent service of the State annually. This guarantees continuity of service and strengthens the administrative officers in performing their services entirely in the interests of the public. Under our system of requiring all departments to submit all information regarding all services rendered by the department, these continuing appropriations are subject to the same biennial review that the appropriations for the less permanent services of the State are subjected.

A further means for strengthening the administration of government, while at the same time giving reasonable opportunity for the exercise of the best judgment of administrative officers, is appropriation in lump-sum amounts. However, when a department head shows that he can not be relied upon to carry out the legislative intent and legislative policies in detail under lump-sum appropriations, then the legislature passes a more detailed appropriation act, prescribing exactly how the money shall be spent and thus reducing the sphere of his discretion. This provides flexibility in our administration. Administrators who can be relied upon for good administration under general orders have only general orders, and those who must be specifically limited are limited.

There is always tendency in a State administration to use moneys collected by departments rather loosely. The Wisconsin budget plan requires that all moneys collected by any department, board, commission, or institution of the State shall be paid within one week of receipt into the State treasury. Then the money, if it is desirable, is appropriated to the department, board, commission, or institution for such purposes as the legislature sees fit. Under this plan there can be no public leaks and misuses of money, and a check can be kept upon it, and the State know exactly how much money is being spent by its agents.

#### BUDGET CONTROL OF EXPENDITURE.

Having considered the budget form, the preparation of the budget, the budget procedure in the legislature, and the appropriation plan, the next point is budget control of expenditures. Is any attempt made to control expenditures after the appropriations have been made out, and if so, by what means?

In the first place, a uniform system of accounting has been adopted by the State. Departments are required to keep their records under the same classifications as are used in the budget. In this way their records show whether they are expending their appropriations for the purposes authorized by the legislature.

Not only are departments required to keep records of their expenditures but they are likewise required to furnish monthly reports to the office of the State board of public affairs. These monthly reports consist of classified statements of the expenditures, copies of the pay rolls, detailed statements of traveling expense vouchers, and any other bills which may have been incurred. These reports are checked, examined, and entered on an appropriation record kept in the office of the State board of public affairs, so that the board constantly knows for what purposes the funds are being expended and whether the legislative intent is being complied with.

The State board of public affairs is required by law to conduct the annual audits for all departments. These audits afford another check upon the purposes for which the funds have been expended and enable the board to maintain close scrutiny upon the fiscal affairs of all departments and activities.

#### RESULTS FROM THE ADOPTION OF THE BUDGET SYSTEM.

The question which naturally arises after considering the various points which have just been discussed is, what results have been obtained from the changes inaugurated? Has the budget system resulted in the saving of any money to the people of the State of Wisconsin?



This might be made a discussion by itself, but at this time I shall only give a few illustrations of what has been accomplished.

The adoption of the budget system has made it necessary for all financial affairs of the State to be conducted in a manner which is open and aboveboard. It is no longer possible for a department to get two or three appropriations for the same purpose. The purpose must be legitimate, for all requests are now scrutinized so carefully and publicity given that it is next to impossible to slip any appropriations through which should not be passed.

The budget system has resulted in the elimination of a large number of personal measures. Members of the legislature are no longer interested in espousing the cause of this or that person in State service.

Departments themselves, as a rule, no longer initiate appropriation measures nor concern themselves about the passage of the appropriation measures. They know that at the proper time they will be called upon to present their case, and after that it is up to the finance committee, which introduces the budget measures, to champion their cause in the legislature. In this way the lobbying which department heads and even employees formerly indulged in has been eliminated.

Before this system was inaugurated the superintendent of public property was obliged by law to furnish all departments with whatever supplies, postage, drayage, etc., that they needed. The printing board was required to print whatever publications the departments requested. Each of these two departments has an unlimited appropriation for the purposes indicated. The result was that departments were not particularly concerned with the amount of stationery, postage, or printing requisitioned. Under the budget system a department must pay for everything it receives out of its appropriation. The result is that to-day department heads are taking pains to see where the postage goes, are watching to see what kind of materials are used by their employees, are trying to reduce the number of printed volumes to the number actually required, in fact, are exerting every precaution to conserve their appropriation, for under the law there is a penalty for the exceeding of an appropriation or the creation of any indebtedness in excess of existing appropriations.

#### SAVINGS.

That the budget system has resulted in the saving of money to the people of the State is a well-known fact. The legislature itself effects many savings, for it now is in possession of the facts which enable it to make appropriations closely in keeping with the services to be performed.

The budget system tends to fix responsibility for the handling of public funds upon certain specific boards and officers. Through this fixing of responsibility greater economy and efficiency has resulted in the affairs of state.

As a single illustration, the following tabulation, covering a period of 12 years, 6 under the old system and 6 under the budget system, showing the total amount expended for supplies purchased by the superintendent of public property, demonstrates that the budget system has resulted in a saving to the people of the State. In comparing the figures of the last six years with those of the first six years it should be noted that while the activities and departments of State have been constantly on the increase, both in the number of activities and in the importance of their work, the result to-day is that a larger number of departments are getting along with a smaller amount expended for supplies. It should likewise be borne in mind in making the comparison that the prices for commodities of all classes have been very much higher during the last six years than they were in the first six years of the period under consideration.

Prebudget period, fiscal year—	Superintendent public property, supplies.	Budget period, fiscal year—	Superintendent public property, supplies.
1907-1908.....	\$130,604.03	1913-1914.....	\$89,864.93
1908-1909.....	150,383.91	1914-1915.....	92,824.93
1909-1910.....	141,981.63	1915-1916.....	80,783.23
1910-1911.....	126,728.42	1916-1917.....	108,362.60
1911-1912.....	141,939.52	1917-1918.....	168,840.69
1912-1913.....	84,708.03	1918-1919.....	125,589.29



The board's reviewing of the budget likewise results in lower appropriations than would be the case if no budget system were in operation. For example, the requests of the tax commission for the fiscal year 1920 were \$216,850. The board's recommendation was \$185,000. The appropriation is likewise \$185,000. In the case of the railroad commission the requests for 1920 were \$207,930, and the recommendation and appropriation was \$200,000. In the case of the superintendent of public instruction the requests for 1920 were \$128,756, the appropriation \$100,000. When considered by and of itself, each of these departments could show valid reasons for having appropriations amounting to the sums requested. When the State's activities as a whole are considered, as they are at the time the budget is reviewed, the departments are shown how they can carry on their activities for the amounts recommended.

A large number of instances of this kind might be given. It could be shown, for example, that a number of savings were made by the board's being able to recommend what department should carry on certain activities. Consolidations and reorganizations are affected because of the board's having worked out a definite financial policy for the State.

#### EMERGENCY APPROPRIATIONS.

It was the custom in Wisconsin, and no doubt it is in many States to-day, to give each department of government a contingent appropriation. The purpose was to give a sum of money to each department of the State with which it might meet any emergency that might arise that could not be foreseen by the legislature at the time the general appropriation was made. I hope it will not seem strange to you when I say that the contingency which called for this appropriation usually arose, and at the close of the fiscal year the contingency appropriation plus the general appropriation was exhausted.

I regarded this system as an invitation for extravagance and caused the legislature of this State to create an emergency board, consisting of the governor, the secretary of state, and the state treasurer, to which was appropriated a sum sufficient, which in this State means a sum without limit. Instead of making contingent appropriations to the departments, authority was given to this emergency board to provide any department of state that found its operating account insufficient with the necessary funds to carry on its operation until the next appropriation was available. The money that is necessary can be secured from the emergency board only after a hearing, at which it must be shown that the emergency actually exists.

This system has saved this State large sums of money. It permits the legislature to make its appropriation only for the actual needs of the institutions, and there is a general disposition among department officers to keep within that appropriation. On the other hand the system enables any department of state to meet any emergency and render such service as is in the best interest of the State.

#### CONCLUSION.

In concluding this subject I wish to state that we, in Wisconsin, believe that we have a budget system that is serving our needs and resulting in savings to the taxpayers of the State. I do not mean to state that our system has been developed to the extent that it is perfect and can not be improved upon. Far from that, for we are constantly making a change here and there in our efforts to get the best results. We can truthfully say, however, that the Wisconsin budget system through its years of service has demonstrated its importance and value. If any of the other States have anything better than we have, we shall be glad to learn of ways in which our system can be improved and in that way profit by their experience. If there is anything in our budget experience during the past eight years which will be of assistance to any other governmental unit, we will be equally pleased to share with them what we have and to render them every possible assistance in solving the complex problems of State finance.

MINNEAPOLIS CIVIC AND COMMERCE ASSOCIATION.

September 20, 1915

Hon. JAMES W. GOOD,

Chairman Select Committee on Budget,

House of Representatives, Washington, D. C.

DEAR SIR: I am acknowledging your letter of the 15th and thanking you for the invitation to appear before your committee relative to the National Budget.

Local budget matters with which this bureau has much to do are pressing so hard at this particular time that it is not possible to be away. I am therefore taking the liberty to present the accompanying statement in the hope that it may in part take the place of a personal appearance before your committee.

Thanking you for your courtesy, I am.

Very truly, yours,

F. L. OLSON,  
*Director Bureau of Municipal Research.*

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STATEMENT RE NATIONAL BUDGET  
SUBMITTED TO THE SELECT COMMITTEE ON THE BUDGET  
BY THE  
BUREAU OF MUNICIPAL RESEARCH  
OF THE  
MINNEAPOLIS CIVIC AND COMMERCE ASSOCIATION.

It may be assumed that this committee needs no argument for a national budget. Party platforms have with regularity insisted that a new basis for determining the revenues and expenditures of the National Government should be found in the application of the principles of a national budget. The differences of opinion that have helped cause delay in the enactment of a budget law are therefore the subject of this statement.

At the present time there has been introduced House Resolution 1201, a bill to provide a national budget system and an intelligent audit of Government activities for other purposes, as well as a bill by Senator McCormick, S. 450, and a resolution by Representative Tinkham, H. Res. 107. The Good bill (H. R. 1201) has in it some of the basic principles that should be in any bill adopted by the Congress. It lacks certain features that Representative Frear desires to place in a bill to be adopted by the next regular session, namely, the single appropriating committee in each house. There is much difference of opinion as to the political possibility of enacting into a law a model bill. So much can be accomplished through the adoption of the Good bill that there should be no hesitancy on the part of this committee to recommend it for adoption. What the Nation at large is looking for is the putting into practice by proper legislation of the frequent promises of the political parties and the urgent recommendations of the President in regard to a national budget. Keeping faith with the public can be accomplished to a very large extent through the adoption of the Good bill despite its failure to attack the embarrassing situation under which Congress labors each session, namely, the many committees that have power to pass on appropriations.

Among the valuable features of House Resolution 1201 is the centralization of responsibility in the President and the bureau of the budget for the collection of the information on estimates of the departments. This makes for uniformity in classification of titles under which the budget shall be presented so that the same type of service will be requested in the same terms in each department where similarity of such service exists. This one task of collecting the estimates and preparing them in their proper form for submission to the Congress is of such importance that were there no other commendable features to this bill, it would be worthy of passage on that basis alone.

Again, the fact that the President becomes personally responsible for the estimates of revenues and expenditures in the administrative and executive departments of the Government in itself would justify the passage of this bill. At the present time there is no one directly responsible. The natural consequence is that overestimates are made, duplications are made, and it is not surprising that these are not weeded out when it is considered that there is no central authority nor organization such as the bureau of the budget to properly collect and collate these estimates. The converging rather than the diverging of lines of authority is a sound principle to be applied in budget making as well as in administration.

An additional advantage has been partially referred to; viz., when the estimates are finally prepared and have been thoroughly examined by the bureau of the budget and the President, they are then assembled into a single document

so that the committees of the House and Senate will then have before them one uniformly arranged plan of revenue and expenditure instead of many separate suggestions according to the widely divergent ideas of the different departments. Department heads quite naturally concern themselves with their own activities in preparing estimates. The effect that they may have no other departments is not a matter for their consideration. Someone is needed whose duty it is to scrutinize such plans and estimates for the purpose of determining upon a well coordinated plan of revenue and expenditure. The Good bill provides this and should be supported for that reason. In the mechanical arrangement of the budget reservation by the President, it is only very natural that the request of the department together with the recommendations of the President and the final allowance by the Congress should be shown in separate parallel columns. It is the very fact that these different plans of operation have heretofore not been brought together in an assembled document that has made possible duplications, and caused both excessive and unnecessary appropriations by the Congress.

The centralization of authority in an accounting department to show up the actual expenditures under the various appropriation heads is an additional excellent feature of the budget bill introduced by Mr. Good. No rightly organized government whether it be municipal, State, or national should scatter its accounting authority. This feature again is commendable in that it is a long step towards the ideal condition that others desire, but to obtain which they would postpone legislation on this very important subject.

There are those who suggest that the Secretary of the Treasury can, as the leading financial officer of the Government very well perform the duties laid down for the bureau of the budget. Attention should be called to the fact that the Secretary of the Treasury himself heads a department that is personally interested in its own estimates and should therefore not pass upon them in the same way that a bureau of the budget, which has no other function than the investigation of the needs and preparation of the estimates for the various departments. The interests of the Secretary of the Treasury while financially and intimately connected with much of the same work that the bureau of the budget would do, is nevertheless administrative and on a par with the other secretaryships in the Presidential Cabinet. To grant this particular department the added advantage which the preparation of the budget would give is inadvisable. Much the better result will come from establishing under the immediate direction of the President a bureau of the budget which has no other function than the administration of this task.

In concluding this statement, it is desired again to emphasize the fact that although admitting the Good bill to be only a half step toward the ideal situation that should obtain in the National Government, the experience of the past few years of war appropriations and expenditures without going further back into history, should be sufficient to persuade members of Congress to adopt at once the basic principles of the national budget and carry them through as far as possible at this time. This it is our opinion the Good bill (H. Res. 1201) will do. The defects that may show themselves in its actual operation can later be properly corrected by additional legislation and the remainder of the completed budget system, which members of all parties and citizens of the country desire, can then be enacted into law.

## APPENDIX I.

*Comparative statement exhibiting, for the 20-year period covering the fiscal years 1897 to 1916, inclusive, the grand total of estimates submitted by the Executive and the grand total of appropriations granted by the Congress.*

Fiscal year.	Estimates.	Appropriations.	Excess of estimates.	Excess of appropriations.
1897.....	\$529,134,193.92	\$515,845,194.57	\$13,288,999.35	.....
1898.....	535,446,047.28	528,735,079.30	6,710,967.98	.....
1899.....	911,522,533.22	893,231,615.55	18,290,917.67	.....
1900.....	754,006,489.64	674,981,022.29	79,025,467.35	.....
1901.....	767,355,248.78	710,150,882.88	57,204,385.90	.....
1902.....	775,374,804.24	730,338,575.99	45,036,228.25	.....
1903.....	776,348,318.47	<sup>1</sup> 800,624,496.55	.....	\$24,276,178.08
1904.....	765,456,776.30	753,058,506.02	12,398,270.28	.....
1905.....	830,974,206.79	781,172,375.18	49,801,831.61	.....
1906.....	835,260,367.21	820,184,634.96	15,075,732.25	.....
1907.....	880,796,415.47	879,589,185.16	1,207,230.31	.....
1908.....	943,190,643.68	920,798,143.80	22,392,499.88	.....
1909.....	1,079,449,288.96	1,008,397,543.56	71,051,745.40	.....
1910.....	1,103,387,508.01	1,044,401,857.12	58,985,650.89	.....
1911.....	1,028,145,769.58	1,027,901,629.18	244,140.40	.....
1912.....	1,026,287,505.81	1,026,682,881.72	.....	395,375.91
1913.....	1,040,648,026.55	1,019,412,710.91	21,235,315.64	.....
1914.....	1,150,206,963.14	1,098,678,788.40	51,528,174.74	.....
1915.....	1,152,681,777.02	1,116,118,138.55	36,563,638.47	.....
1916.....	1,135,187,984.31	1,114,937,012.02	20,250,972.29	.....
<b>Total.....</b>	<b>18,020,860,868.38</b>	<b>17,465,240,253.71</b>	<b>555,620,614.67</b>	<b>24,671,553.99</b>
<b>Net excess of estimates....</b>	.....	.....	<b>555,620,614.67</b>	.....

<sup>1</sup> The appropriations for 1903 include the sum of \$50,130,000 for the Panama Canal, an amount not submitted in the estimates for that fiscal year. If that amount be eliminated, the excess of estimates would be \$25,863,821.92.

## APPENDIX II.

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### PRINCIPAL ACTS RELATING TO APPROPRIATIONS.

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#### **Fiscal year described.**

That section 237 of the Revised Statutes is hereby amended so as to read as follows:

SEC. 237. That the fiscal year of the Treasury of the United States in all matters of accounts, receipts, expenditures, estimates, and appropriations, except accounts of the Secretary of the Senate for compensation and traveling expenses of Senators, and accounts of the Sergeant at Arms of the House of Representatives for compensation and mileage of Members and Delegates shall commence on the 1st day of July in each year; and all accounts of receipts and expenditures required by law to be published annually shall be prepared and published for the fiscal year as thus established. The fiscal year for the adjustment of the accounts of Secretary of the Senate for compensation and traveling expenses of Senators, and of the Sergeant at Arms of the House of Representatives for compensation and mileage of Members and Delegates shall extend to and include the 3d day of July. (Oct. 1, 1890, Stat. L., vol. 26, p. 646, sec. 9.)

#### **Application of appropriations.**

All sums appropriated for the various branches of expenditure in the public service shall be applied solely to the objects for which they are respectively made, and for no others. (R. S., sec. 3678.)

#### **Appropriations must be made in specific terms.**

Hereafter no act of Congress shall be construed to make an appropriation out of the Treasury of the United States unless such act shall in specific terms declare an appropriation to be made for the purpose or purposes specified in the act. (July 1, 1902, Stat. L., vol. 32, p. 560.)

#### **Correct footings determine actual appropriations.**

That hereafter the total amount appropriated in the various paragraphs of an appropriation act shall be determined by the correct footing up of the specific sums or rates appropriated in each paragraph contained therein unless otherwise expressly provided. (May 28, 1896, Stat. L., vol. 29, p. 148.)

#### **Reappropriation and diversion of unexpended balances to be accounted new appropriations.**

That the reappropriation and diversion of the unexpended balance of any appropriation to a purpose other than that for which it was originally made shall be construed and accounted hereafter as a new appropriation and the unexpended balance shall be reduced by the sum proposed to be so diverted. (Mar. 4, 1915, Stat. L., vol. 38, p. 1161.)



**Appropriations available only for service of fiscal year for which made.**

All balances of appropriations contained in the annual appropriation bills and made specifically for the service of any fiscal year, and remaining unexpended at the expiration of such fiscal year, shall only be applied to the payment of expenses properly incurred during that year or to the fulfillment of contracts properly made within that year; and balances not needed for such purposes shall be carried to the surplus fund. This section, however, shall not apply to appropriations known as permanent or indefinite appropriations. (R. S. sec. 3690.)

**Appropriations made or contracts authorized must be in specific terms.**

No act of Congress hereafter passed shall be construed to make an appropriation out of the Treasury of the United States, or to authorize the execution of a contract involving the payment of money in excess of appropriations made by law, unless such act shall in specific terms declare an appropriation to be made or that a contract may be executed. (June 30, 1906, Stat. L., vol. 34, p. 764, sec. 9.)

**Appropriations to be construed as made only for one year.**

No specific or indefinite appropriation made hereafter in any regular annual appropriation act shall be construed to be permanent or available continuously without reference to a fiscal year unless it belongs to one of the following five classes: "Rivers and harbors," "lighthouses," "fortifications," "public buildings," and "pay of the Navy and Marine Corps," last specifically named in and excepted from the operation of the provisions of the so-called "covering-in act" approved June 20, 1874, or unless it is made in terms expressly providing that it shall continue available beyond the fiscal year for which the appropriation act in which it is contained make provision. (Aug. 24, 1912, Stat. L., vol. 37, p. 487, sec. 7.)

**Balances of appropriations to lapse after two years (covering-in act).**

All balances of appropriations which shall have remained on the books of the Treasury, without being drawn against in the settlement of accounts, for two years from the date of the last appropriation made by law, shall be reported by the Secretary of the Treasury to the Auditor of the Treasury, whose duty it is to settle accounts thereunder, and the auditor shall examine the books of his office, and certify to the Secretary whether such balances will be required in the settlement of any accounts pending in his office; and if it appears that such balances will not be required for this purpose, then the Secretary may include such balances in his surplus-fund warrant, whether the head of the proper department shall have certified that it may be carried into the General Treasury or not. But no appropriation for the payment of the interest or principal of the public debt, or to which a longer duration is given by law, shall be thus treated. (R. S., sec. 3691.)

That from and after the 1st day of July, 1874, and of each year thereafter, the Secretary of the Treasury shall cause all unexpended balances of appropriations which shall have remained upon the books of the Treasury for two fiscal years to be carried to the surplus fund and covered into the Treasury: *Provided*, That this provision shall not apply to permanent specific appropriations, appro-

priations for rivers and harbors, lighthouses, fortifications, public buildings, or the pay of the Navy and Marine Corps; but the appropriations named in this proviso shall continue available until otherwise ordered by Congress. \* \* \*

\* \* \* *And provided further*, That this section shall not operate to prevent the fulfillment of contracts existing at the date of the passage of this act [and the Secretary of the Treasury shall, at the beginning of each session, report to Congress, with his annual estimates, any balances of appropriations for specific objects affected by this section that may need to be reappropriated]. (June 20, 1874. Stat. L., vol. 18, p. 110, sec. 5.)

**Audited claims under exhausted or lapsed appropriations.**

That so much of section 5 of the act approved June 20, 1874, as directs the Secretary of the Treasury at the beginning of each session to report to Congress with his annual estimates any balances of appropriations for specific objects affected by said section that may need to be reappropriated, be, and hereby is, repealed. And it shall be the duty of the several accounting officers of the Treasury to continue to receive, examine, and consider the justice and validity of all claims under appropriations the balances of which have been exhausted or carried to the surplus fund under the provisions of said section that may be brought before them within a period of five years. And the Secretary of the Treasury shall report the amount due each claimant, at the commencement of each session, to the Speaker of the House of Representatives, who shall lay the same before Congress for consideration: *Provided*, That nothing in this act shall be construed to authorize the reexamination and payment of any claim or account which has been once examined and rejected, unless reopened in accordance with existing law. (June 14, 1874. Stat. L., vol. 20, p. 130, sec. 5.)

That the Secretary of the Treasury shall, at the commencement of each session of Congress, report the amount due each claimant whose claim has been allowed in whole or in part, to the Speaker of the House of Representatives and the presiding officer of the Senate, who shall lay the same before their respective Houses for consideration. (July 7, 1884, Stat. L., vol. 23, p. 254, sec. 2.)

**Contracts for public buildings or any public improvement not to exceed appropriations therefor.**

Every officer of the Government who knowingly contracts for the erection, repair, or furnishing of any public building, or for any public improvement, to pay a larger amount than the specific sum appropriated for such purposes, shall be punished by imprisonment not less than six months nor more than two years, and shall pay a fine of \$2,000. (R. S., sec. 5503.)

No contract shall be entered into for the erection, repair, or furnishing of any public building, or for any public improvement, which shall bind the Government to pay a larger sum of money than the amount in the Treasury appropriated for the specific purpose. (R. S., sec. 3733.)

NOTE.—It is customary in acts authorizing construction of public buildings and improvement of certain rivers and harbors to provide that contracts may be entered into within the limit of cost prescribed for each building or river and harbor work.

**Public building appropriations immediately available.**

All appropriations for public buildings under the control of the Treasury Department shall be available immediately upon the approval of the act containing such appropriations. (R. S., sec. 3684.)

**Authority to erect not to imply appropriation for public building.**

That no act passed authorizing the Secretary of the Treasury to purchase a site and erect a public building thereon shall be held or construed to appropriate money unless the act in express language makes such appropriations. (Aug. 7, 1882, Stat. L., vol. 22, p. 305.)

**Army and Navy appropriations, certain may be exceeded.**

No contract or purchase on behalf of the United States shall be made unless the same is authorized by law or is under an appropriation adequate to its fulfillment, except in the War and Navy Department, for clothing, subsistence, forage, fuel, quarters, or transportation, which, however, shall not exceed the necessities of the current year. (R. S., sec. 3732.)

**Deficiencies in appropriations prohibited—Voluntary services forbidden.**

No executive department or other Government establishment of the United States shall expend, in any one fiscal year, any sum in excess of appropriations made by Congress for that fiscal year, or involve the Government in any contract or other obligation for the future payment of money in excess of such appropriations unless such contract or obligation is authorized by law. Nor shall any department or any officer of the Government accept voluntary service for the Government or employ personal service in excess of that authorized by law, except in cases of sudden emergency involving the loss of human life or the destruction of property. All appropriations made for contingent expenses or other general purposes, except appropriations made in fulfillment of contract obligations expressly authorized by law, or for objects required or authorized by law without reference to the amounts annually appropriated therefor, shall, on or before the beginning of each fiscal year, be so apportioned by monthly or other allotments as to prevent expenditures in one portion of the year which may necessitate deficiency or additional appropriations to complete the service of the fiscal year for which said appropriations are made; and all such apportionments shall be adhered to and shall not be waived or modified except upon the happening of some extraordinary emergency or unusual circumstance which could not be anticipated at the time of making such apportionment, but this provision shall not apply to the contingent appropriations of the Senate or House of Representatives; and in case said apportionments are waived or modified as herein provided, the same shall be waived or modified in writing by the head of such executive department or other Government establishment having control of the expenditure, and the reasons therefor shall be fully set forth in each particular case and communicated to Congress in connection with estimates for any additional appropriations required on account thereof. Any person violating any provision of this section shall be summarily removed from office and may also be punished by a fine of not less than \$100 or by imprisonment for not less than one month. (Feb. 27, 1906, Stat. L., vol. 34, p 49, sec. 3.)

The provisions of section 3679 of the Revised Statutes of the United States, as amended by section 3 of the urgent deficiency ap-

appropriation act approved February 27, 1906 (Stat. L., vol. 34, p. 49). known as the antideficiency act, are hereby extended and made applicable in all respects to appropriations made for and expenditures of and to all of the officers and employees of the government of the District of Columbia. (June 26, 1912, Stat. L., vol. 37, p. 184. sec. 9.)

**Statement of appropriations, new offices, etc.**

The Secretary of the Senate and the Clerk of the House of Representatives shall, as soon as may be after the close of each session of Congress, prepare and publish a statement of all appropriations made during the session, a statement of the new offices created and the salaries attached to each, and a statement of the offices the salaries attached to which are increased and the amount of such increase. (R. S., sec. 64; Stat. L., vol. 5, p. 117, July 4, 1836.)

That hereafter the statement of all appropriations made during each session of Congress, including new offices created and the salaries of each and salaries of the offices which are increased and the amounts of such increase authorized by the act of July 4, 1836, shall be prepared under the direction of the Committees on Appropriations of the Senate and House of Representatives, and said statement shall hereafter show also the offices the salaries of which are reduced or omitted, and the amount of such reduction, and shall also contain a chronological history of the regular appropriation bills passed during the session for which it is prepared. (Stat. L., vol. 25, p. 587, Oct. 19, 1888.)

And said statements shall hereafter indicate the amount of contracts authorized by appropriation acts in addition to appropriations made therein, and shall also contain the specific reference to all indefinite appropriations made each session. (Stat. L., vol. 30, p. 136. July 19, 1897.)

## APPENDIX III.

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### PRINCIPAL ACTS RELATING TO ESTIMATES.

#### **Estimates to be submitted through the Treasury.**

All annual estimates for the public service shall be submitted to Congress through the Secretary of the Treasury, and shall be included in the Book of Estimates prepared under his direction. (R. S., sec. 3669.)

And hereafter all estimates of appropriations and estimates of deficiencies in appropriations intended for the consideration and seeking the action of any of the committees of Congress shall be transmitted to Congress through the Secretary of the Treasury, and in no other manner; and the said Secretary shall first cause the same to be properly classified, compiled, indexed, and printed, under the supervision of the chief of the division of [warrants, estimates, and appropriations] (bookkeeping and warrants) of his department. (July 7, 1884, Stat. L., vol. 23, p. 254, sec. 2.)

#### **Time within which annual estimates shall be submitted to the Treasury.**

That hereafter it shall be the duty of the heads of the several executive departments, and of such other officers authorized or required to make estimates, to furnish to the Secretary of the Treasury, on or before the 15th day of October of each year, their annual estimates for the public service, to be included in the Book of Estimates prepared by law under his direction, and in case of failure to furnish estimates as herein required it shall be the duty of the Secretary of the Treasury to cause to be prepared in the Treasury Department, on or before the 1st day of November of each year, estimates for such appropriations as, in his judgment, shall be requisite in every such case, which estimates shall be included in the Book of Estimates prepared by law under his direction for the consideration of Congress. (Mar. 3, 1901, Stat. L., vol. 31, p. 1009, sec. 5.)

#### **Order and arrangement of estimates prescribed.**

Hereafter the estimates for expenses of the Government, except those for sundry civil expenses, shall be prepared and submitted each year according to the order and arrangement of the appropriation acts for the year preceding. And any changes in such order and arrangement, and transfers of salaries from one office or bureau to another office or bureau, or the consolidation of offices or bureaus desired by the head of any executive department, may be submitted by note in the estimates. The committees of Congress in reporting general appropriation bills shall, as far as may be practicable, follow the general order and arrangement of the respective appropriation acts for the year preceding. (June 22, 1906, Stat. L., vol. 34, p. 448, sec. 4.)



**District of Columbia estimates of appropriations for, order and arrangement of.**

That hereafter the estimates for expenses of the government of the District of Columbia shall be prepared and submitted each year according to the order and arrangement of the appropriation act for the year preceding, and any changes in such order and arrangement and transfers of salaries from one officer or department to another desired by the commissioners may be submitted by note in the estimates. (July 1, 1902, Stat. L., vol. 32, p. 616, sec. 4.)

**Secretary of the Treasury may rearrange estimates.**

When estimates hereafter transmitted to the Treasury for submission to Congress do not in form and arrangement comply with the provisions of section 4 of the legislative, executive, and judicial appropriation act, approved June 22, 1906, they shall, under direction of the Secretary of the Treasury, be rearranged so as to comply with said requirements of law. (Mar. 4, 1909, Stat. L., vol. 35, p. 907, sec. 4.)

**Estimates, preparation and submission of regular annual.**

That until otherwise provided by law, the regular annual estimates of appropriations for expenses of the Government of the United States shall be prepared and submitted to Congress, by those charged with the duty of such preparation and submission, only in the form and at the time now required by law, and in no other form and at no other time. (Aug. 23, 1912, Stat. L., vol. 37, p. 415, sec. 9.)

**Supplemental estimates, necessity and reasons for, to be stated.**

Hereafter the heads of the several executive departments and all other officers authorized or required to make estimates for the public service shall include in their annual estimates furnished the Secretary of the Treasury for inclusion in the Book of Estimates all estimates of appropriations required for the service of the fiscal year for which they are prepared and submitted, and special or additional estimates for that fiscal year shall only be submitted to carry out laws subsequently enacted or when deemed imperatively necessary for the public service by the department in which they shall originate. in which case such special or additional estimate shall be accompanied by a full statement of its imperative necessity and reasons for its omission in the annual estimates. (June 22, 1906, Stat. L., vol. 34, p. 448, sec. 4.)

The Secretary of the Treasury shall not hereafter transmit special or additional estimates of appropriations to Congress unless they shall conform to the requirements of section 4 of the act approved June 22, 1906. (Sept. 8, 1916, Stat. L., vol. 39, p. 830, sec. 4.)

**Lump-sum estimates, statement of details of estimates and expenditures—Explanatory notes in estimates forbidden.**

That section 6 of the sundry civil appropriation act approved August 24, 1912, is amended to read as follows:

SEC. 6. That there shall be submitted hereafter, in the annual Book of estimates following every estimate for a general or lump-sum appropriation, except public buildings or other public works constructed under contract, a statement showing in parallel columns:

First, the number of persons, if any, intended to be employed and the rates of compensation to each, and the amounts contemplated to be expended for

each of any other objects or classes of expenditures specified or contemplated in the estimate, including a statement of estimated unit cost of any construction work proposed to be done; and

Second, the number of persons, if any, employed and the rate of compensation paid each, and the amounts expended for each other object or class of expenditure, and the actual unit cost of any construction work done out of the appropriation corresponding to the estimate so submitted during the completed fiscal year next preceding the period for which the estimate is submitted.

Other notes shall not be submitted following any estimate embraced in the annual Book of Estimates other than such as shall suggest changes in form or order of arrangement of estimates and appropriations and reasons for such changes. (Aug. 1, 1914, Stat. L., vol. 38, p. 680, sec. 10.)

The information required in connection with estimates for general or lump-sum appropriations by section 10 of the sundry civil appropriation act approved August 1, 1914, shall be submitted hereafter according to uniform and concise methods which shall be prescribed by the Secretary of the Treasury, but with reference to estimates for pay of mechanics and laborers there shall be submitted in detail only the ratings and trades and the rates per diem paid or to be paid. (July 1, 1916, Stat. L., vol. 39, p. 336, sec. 4.)

**Panama Canal estimates for construction, maintenance, operation, civil government, and sanitation, submission of.**

That for the fiscal year 1916 and annually thereafter the estimates of appropriations for the Panama Canal shall be submitted in detail, showing the amounts required for personal services and the amounts required for material including all supplies, under the heads of construction, maintenance, operation, sanitation, and civil government, and following each there shall be submitted notes giving in parallel columns information which will show the number, by grade or classes, of officers, employees, and skilled and unskilled laborers proposed to be paid under each of said appropriations for the ensuing fiscal year and those paid at the close of the fiscal year next preceding the period when said estimates are prepared and submitted; also, in connection with each item for material and miscellaneous purposes other than salaries or pay for personal services, the amounts actually expended or obligated, quantities purchased, and prices paid for material or supplies during the entire fiscal year next preceding the preparation and submission of said estimates.

There shall also be submitted in connection with the foregoing information statements of actual unit cost of all construction work done and of estimated unit cost of work proposed to be done for the fiscal years included in the notes so required to be submitted with the annual estimates. (Aug. 1, 1914, Stat. L., vol. 38, p. 679, sec 6.)

**Sources and other elements of estimates to be stated.**

The heads of departments, in communicating estimates of expenditures and appropriations to Congress, or to any of the committees thereof, shall specify, as nearly as may be convenient, the sources from which such estimates are derived and the calculations upon which they are founded, and shall discriminate between such estimates as are conjectured in their character and such as are framed upon actual information and applications from disbursing officers. They shall also give references to any law or treaty by which the proposed expenditures are respectively authorized, specifying the date of each, and the volume and page of the Statutes at Large or

of the Revised Statutes, as the case may be, and the section of the act in which the authority is to be found. (R. S., sec. 3660.)

**Estimates for salaries.**

All estimates for the compensation of officers authorized by law to be employed shall be founded upon the express provisions of law, and not upon the authority of executive distribution. (R. S. sec. 3662.)

**Statement of previous appropriations to be submitted with estimates.**

The head of each department, in submitting to Congress his estimates of expenditures required in his department during the year then approaching, shall designate not only the amount required to be appropriated for the next fiscal year but also the amount of the outstanding appropriation, if there be any, which will probably be required for each particular item of expenditure. (R. S., sec. 3665.)

The Secretary of the Treasury shall annex to the annual estimates of the appropriations required for the public service a statement of the appropriations for the service of the year which may have been made by former acts. (R. S., sec. 3670.)

**District of Columbia estimates, limit on account of.**

Hereafter the Commissioners of the District of Columbia shall not submit, nor shall the Secretary of the Treasury transmit, to Congress regular annual estimates for expenses of the government of the District of Columbia for any fiscal year that shall exceed in the aggregate a sum equal to twice the amount of the total estimated revenues of the District of Columbia for such fiscal year. Said estimates shall take into consideration and embrace all charges against the said revenues arising under appropriations other than the regular District of Columbia bill. Such annual estimates shall not be published in advance of their submission to Congress at the beginning of each regular session thereof. (Mar. 3, 1909, Stat. L., vol. 35, p. 728, sec. 7.)

Hereafter copies of all estimates of appropriations in any way affecting the revenues of the District of Columbia shall be furnished to the Commissioners of said District on or before October 1 each year. (Mar. 3, 1917, Stat. L., vol. 39, p. 1046, sec. 6.)

**Executive departments, officials in, to supervise preparation of estimates.**

That hereafter the head of each executive department and other Government establishment shall, on or before July 1 in every fiscal year, designate from among the officials employed therein one person whose duty it shall be to supervise the classification and compilation of all estimates of appropriations, including supplemental and deficiency estimates to be submitted by such department or establishment. In the performance of their duties persons so designated shall have due regard for the requirements of all laws respecting the preparation of estimates, including the manner and time of their submission through the Treasury Department to Congress; they shall also, as nearly as may be practicable, eliminate from all such estimates unnecessary words and make uniform the language commonly used in expressing purposes or conditions of appropriations. (June 23, 1913, Stat. L., vol. 38, p. 75, sec. 3.)

**President to consider relation of estimates to revenues.**

Immediately upon the receipt of the regular annual estimates of appropriations needed for the various branches of the Government it shall be the duty of the Secretary of the Treasury to estimate as nearly as may be the revenues of the Government for the ensuing fiscal year, and if the estimates for appropriations, including the estimated amount necessary to meet all continuing and permanent appropriations, shall exceed the estimated revenues the Secretary of the Treasury shall transmit the estimates to Congress as heretofore required by law and at once transmit a detailed statement of all of said estimates to the President, to the end that he may, in giving Congress information of the state of the Union and in recommending to their consideration such measures as he may judge necessary, advise the Congress how in his judgment the estimated appropriations could with least injury to the public service be reduced so as to bring the appropriations within the estimated revenues, or, if such reduction be not in his judgment practicable without undue injury to the public service, that he may recommend to Congress such loans or new taxes as may be necessary to cover the deficiency. (Mar. 4, 1909, Stat. L., vol. 35, p. 1027, sec. 7.)

## APPENDIX IV.

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### PRINCIPAL ACTS RELATING TO REPORTING OF REVENUE AND EXPENDITURES.

**Revenue and expenditures, estimates of, to be made annually by the Secretary of Treasury.**

The Secretary of the Treasury shall each year prepare and submit in his annual report to Congress estimates of the public revenue and the public expenditures for the fiscal year current, and also for the fiscal year next ensuing at the time said report is submitted, together with a statement of the receipts and expenditures of the Government for the preceding completed fiscal year. (Feb. 26, 1907, Stat. L., vol. 34, p. 949.)

That hereafter the Secretary of the Treasury shall include in his annual report, in the statements of actual and estimated receipts and expenditures of the Government, the revenues from and expenditures on account of the Postal Service. (Sept. 30, 1890, Stat. L., vol. 26, p. 511.)

**Combined statement of receipts and disbursements.**

It shall be the duty of the Secretary of the Treasury annually to lay before Congress, on the first day of the regular session thereof, an accurate, combined statement of the receipts and expenditures during the last preceding fiscal year of all public moneys, including those of the Post Office Department, designating the amount of the receipts, whenever practicable, by ports, districts, and States, and the expenditures, by each separate head of appropriation. (July 31, 1894, Stat. L., vol. 28, p. 210, sec. 15.)

**Postal revenue and expenditures, estimates of, to be made annually by the Postmaster General.**

The Postmaster General shall each year prepare and submit in his annual report to Congress estimates of the revenue and expenditures in the Postal Service for the fiscal year current, and also for the fiscal year next ensuing at the time said report is submitted, together with a statement of the receipts and expenditures for the preceding completed fiscal year. (Mar. 2, 1907, Stat. L., vol. 34, p. 1217.)



## APPENDIX V.

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### PRINCIPAL ACTS RELATING TO THE AUDITING OF ACCOUNTS OF PUBLIC EXPENDITURES.

**Act of July 31, 1894, 28 Stat., p. 205 (Dockery Act).**

**SEC. 3.** The Auditors of the Treasury shall hereafter be designated as follows: The First Auditor as Auditor for the Treasury Department; the Second Auditor as Auditor for the War Department; the Third Auditor as Auditor for the Interior Department; the Fourth Auditor as Auditor for the Navy Department; the Fifth Auditor as Auditor for the State and Other Departments; the Sixth Auditor as Auditor for the Post Office Department. The designations of the deputy auditors and other subordinates shall correspond with those of the auditors. And each deputy auditor, in addition to the duties now required to be performed by him, shall sign, in the name of the auditor, such letters and papers as the auditor may direct.

**SEC. 4.** The offices of Commissioner of Customs, Deputy Commissioner of Customs, Second Comptroller, Deputy Second Comptroller, and Deputy First Comptroller of the Treasury are abolished, and the First Comptroller of the Treasury shall hereafter be known as Comptroller of the Treasury. He shall perform the same duties and have the same powers and responsibilities (except as modified by this act) as those now performed by or appertaining to the First and Second Comptrollers of the Treasury and the Commissioner of Customs; and all provisions of law not inconsistent with this act, in any way, relating to them or either of them, shall hereafter be construed and held as relating to the Comptroller of the Treasury. His salary shall be five thousand five hundred dollars per annum. There shall also be an Assistant Comptroller of the Treasury, to be appointed by the President, with the advice and consent of the Senate, who shall receive a salary of five thousand dollars per annum, and a chief clerk in the office of the Comptroller of the Treasury, who shall receive a salary of two thousand five hundred dollars per annum.

The Assistant Comptroller of the Treasury shall perform such duties as may be prescribed by the Comptroller of the Treasury and shall have the power, under the direction of the Comptroller of the Treasury, to countersign all warrants and sign all other papers.

The chief clerk shall perform such duties as may be assigned to him by the Comptroller of the Treasury, and shall have the power, in the name of the Comptroller of the Treasury, to countersign all warrants except accountable warrants.

The auditors, under the direction of the Comptroller of the Treasury, shall superintend the recovery of all debts finally certified by them, respectively, to be due to the United States.

Section thirty-six hundred and twenty-five of the Revised Statutes is amended by substituting the words "proper auditor" for the words "First Comptroller of the Treasury (or the Commissioner of Customs, as the case may be)."

Section thirty-six hundred and thirty-three of the Revised Statutes is amended by substituting the words "proper auditor" for the words "First or Second Comptroller of the Treasury."

SEC. 5. The Comptroller of the Treasury shall, under the direction of the Secretary of the Treasury, prescribe the forms of keeping and rendering all public accounts, except those relating to the postal revenues and expenditures therefrom.

The returns of fees mentioned in section seventeen hundred and twenty-five of the Revised Statutes shall be made as prescribed by the Comptroller of the Treasury.

SEC. 6. Section two hundred and seventy-one of the revised Statutes is amended to read as follows:

"SEC. 271. The Comptroller of the Treasury, in any case where, in his opinion, the interests of the Government require it, shall direct any of the auditors forthwith to audit and settle any particular account which such auditor is authorized to audit and settle."

SEC. 7. Accounts shall be examined by the auditors as follows:

First. The Auditor for the Treasury Department shall receive and examine all accounts of salaries and incidental expenses of the office of the Secretary of the Treasury and all bureaus and offices under his direction, all accounts relating to the customs service, public debt, internal revenue, Treasurer and assistant treasurers, mints and assay offices, Bureau of Engraving and Printing, Coast and Geodetic Survey, Revenue-Cutter Service, Life-Saving Service, Lighthouse Board, Marine Hospital Service, public buildings, Steamboat-Inspection Service, Immigration, navigation, Secret Service, Alaskan fur-seal fisheries, and to all other business within the jurisdiction of the Department of the Treasury, and certify the balances arising thereon to the Division of Bookkeeping and Warrants.

Second. The Auditor for the War Department shall receive and examine all accounts of salaries and incidental expenses of the office of the Secretary of War and all bureaus and offices under his direction, all accounts relating to the Military Establishment, armories and arsenals, national cemeteries, fortifications, public buildings and grounds under the Chief of Engineers, rivers and harbors, the Military Academy, and to all other business within the jurisdiction of the Department of War, and certify the balances arising thereon to the Division of Bookkeeping and Warrants, and send forthwith a copy of each certificate to the Secretary of War.

Third. The Auditor for the Interior Department shall receive and examine all accounts of salaries and incidental expenses of the office of the Secretary of the Interior and of all bureaus and offices under his direction, and all accounts relating to Army and Navy pensions, Geological Survey, public lands, Indians, Architect of the Capitol, patents, census, and to all other business within the jurisdiction of the Department of the Interior, and certify the balances arising thereon to the Division of Bookkeeping and Warrants, and send forthwith a copy of each certificate to the Secretary of the Interior.

Sections two hundred and seventy-three and two hundred and seventy-five of the Revised Statutes are repealed.

Section four hundred and fifty-six of the Revised Statutes is amended to read as follows:

“SEC. 456. All returns relative to the public lands shall be made to the Commissioner of the General Land Office.”

Fourth. The Auditor for the Navy Department shall receive and examine all accounts of salaries and incidental expenses of the office of the Secretary of the Navy, and of all bureaus and offices under his direction, all accounts relating to the Naval Establishment, Marine Corps, Naval Academy, and to all other business within the jurisdiction of the Department of the Navy, and certify the balances arising thereon to the Division of Bookkeeping and Warrants, and send forthwith a copy of each certificate to the Secretary of the Navy.

Fifth. The Auditor for the State and Other Departments shall receive and examine all accounts of salaries and incidental expenses of the offices of the Secretary of State, the Attorney General, and the Secretary of Agriculture, and of all bureaus and offices under their direction; all accounts relating to all other business within the jurisdiction of the Departments of State, Justice, and Agriculture; all accounts relating to the diplomatic and consular service, the judiciary, United States courts, judgments of United States courts, Executive Office, Civil Service Commission, Interstate Commerce Commission, Department of Labor, District of Columbia, Fish Commission, Court of Claims and its judgments, Smithsonian Institution, Territorial governments, the Senate, the House of Representatives, the Public Printer, Library of Congress, Botanic Garden, and accounts of all boards, commissions, and establishments of the Government not within the jurisdiction of any of the executive departments. He shall certify the balances arising thereon to the Division of Bookkeeping and Warrants, and send forthwith a copy of each certificate, according to the character of the account, to the Secretary of the Senate, Clerk of the House of Representatives, Sergeant at Arms of the House of Representatives, or the chief officer of the executive department, commission, board, or establishment concerned.

Sixth. The Auditor for the Post Office Department shall receive and examine all accounts of salaries and incidental expenses of the office of the Postmaster General and of all bureaus and offices under his direction, all postal and money-order accounts of postmasters, all accounts relating to the transportation of the mails, and to all other business within the jurisdiction of the Post Office Department, and certify the balances arising thereon to the Postmaster General for accounts of the postal revenue and expenditures therefrom, and to the Division of Bookkeeping and Warrants for other accounts, and send forthwith copies of the certificates in the latter cases to the Postmaster General.

The further duties of this auditor shall continue as now defined by law, except as the same are modified by the provisions of this act.

SEC. 8. The balances which may from time to time be certified by the auditors to the Division of Bookkeeping and Warrants, or to the Postmaster General, upon the settlements of public accounts, shall be final and conclusive upon the executive branch of the Government, except that any person whose accounts may have been settled, the head of the executive department, or of the board, commission, or establishment not under the jurisdiction of an executive department, to which the account pertains, or the Comptroller of the Treasury,

may, within a year, obtain a revision of the said account by the Comptroller of the Treasury, whose decision upon such revision shall be final and conclusive upon the executive branch of the Government: *Provided*, That the Secretary of the Treasury may, when in his judgment the interests of the Government require it, suspend payment and direct the reexamination of any account.

Upon a certificate by the Comptroller of the Treasury of any differences ascertained by him upon revision the auditor who shall have audited the account shall state an account of such differences, and certify it to the Division of Bookkeeping and Warrants, except that balances found and accounts stated as aforesaid by the Auditor for the Post Office Department for postal revenues and expenditures therefrom shall be certified to the Postmaster General.

Any person accepting payment under a settlement by an auditor shall be thereby precluded from obtaining a revision of such settlement as to any items upon which payment is accepted; but nothing in this act shall prevent an auditor from suspending items in an account in order to obtain further evidence or explanations necessary to their settlement. When suspended items are finally settled a revision may be had as in the case of the original settlement. Action upon any account or business shall not be delayed awaiting applications for revision: *Provided*, That the Secretary of the Treasury shall make regulations fixing the time which shall expire before a warrant is issued in payment of an account certified as provided in sections seven and eight of this act.

The auditors shall, under the direction of the Comptroller of the Treasury, preserve, with their vouchers and certificates, all accounts which have been finally adjusted.

All decisions by auditors making an original construction or modifying an existing construction of statutes shall be forthwith reported to the Comptroller of the Treasury, and items in any account affected by such decisions shall be suspended and payment thereof withheld until the Comptroller of the Treasury shall approve, disapprove, or modify such decisions and certify his actions to the auditor. All decisions made by the Comptroller of the Treasury under this act shall be forthwith transmitted to the auditor or auditors whose duties are affected thereby.

Disbursing officers, or the head of any executive department, or other establishment not under any of the executive departments, may apply for and the Comptroller of the Treasury shall render his decision upon any question involving a payment to be made by them or under them, which decision, when rendered, shall govern the auditor and the Comptroller of the Treasury in passing upon the account containing said disbursement.

Sections one hundred and ninety-one and two hundred and seventy of the Revised Statutes are repealed.

SEC. 9 This act, so far as it relates to the First Comptroller of the Treasury and the several auditors and deputy auditors of the Treasury, shall be held and construed to operate merely as changing their designations and as adding to and modifying their duties and powers, and not as creating new officers.

All laws not inconsistent with this act, relating to the auditors of the Treasury in connection with any matter, shall be construed in each case to relate to the auditor to whom this act applies.

ness of the executive department or other establishments concerned in that matter.

SEC. 10. The Division of Warrants, Estimates, and Appropriations in the office of the Secretary of the Treasury is hereby recognized and established as the Division of Bookkeeping and Warrants. It shall be under the direction of the Secretary of the Treasury as heretofore. Upon the books of this division shall be kept all accounts of receipts and expenditures of public money except those relating to the postal revenues and expenditures therefrom; and section three hundred and thirteen and so much of sections two hundred and eighty-three and thirty-six hundred and seventy-five of the Revised Statutes as require those accounts to be kept by certain auditors and the Register of the Treasury are repealed. The duties of the Register of the Treasury shall be such as are now required of him in connection with the public debt and such further duties as may be prescribed by the Secretary of the Treasury.

SEC. 11. Every requisition for an advance of money, before being acted on by the Secretary of the Treasury, shall be sent to the proper auditor for action thereon as required by section twelve of this act.

All warrants, when authorized by law and signed by the Secretary of the Treasury, shall be countersigned by the Comptroller of the Treasury, and all warrants for the payment of money shall be accompanied either by the auditor's certificate, mentioned in section seven of this act, or by the requisition for advance of money, which certificate or requisition shall specify the particular appropriation to which the same should be charged instead of being specified on the warrant, as now provided by section thirty-six hundred and seventy-five of the Revised Statutes; and shall also go with the warrant to the Treasurer, who shall return the certificate or requisition to the proper auditor, with the date and amount of the draft issued indorsed thereon. Requisitions for the payment of money on all audited accounts, or for covering money into the Treasury, shall not hereafter be required. And requisitions for advances of money shall not be countersigned by the Comptroller of the Treasury.

Section two hundred and sixty-nine and so much of section three hundred and five of the Revised Statutes as requires the Register of the Treasury to record warrants is repealed.

SEC. 12. All monthly accounts shall be mailed or otherwise sent to the proper officer at Washington within ten days after the end of the month to which they relate, and quarterly and other accounts within twenty days after the period to which they relate, and shall be transmitted to and received by the auditors within twenty days of their actual receipt at the proper office in Washington in the case of monthly, and sixty days in the case of quarterly and other accounts. Should there be any delinquency in this regard at the time of the receipt of the auditor of a requisition for an advance of money, he shall disapprove the requisition, which he may also do for other reasons arising out of the condition of the officer's accounts for whom the advance is requested; but the Secretary of the Treasury may overrule the auditor's decision as to the sufficiency of these latter reasons: *Provided*, That the Secretary of the Treasury shall prescribe suitable rules and regulations, and may make orders in particular cases, relaxing the requirement of mailing or otherwise



sending accounts, as aforesaid, within ten or twenty days, or waiving delinquency, in such cases only in which there is, or is likely to be, a manifest physical difficulty in complying with the same, it being the purpose of this provision to require the prompt rendition of accounts without regard to the mere convenience of the officers, and to forbid the advance of money to those delinquent in rendering them: *Provided further*, That should there be a delay by the administrative departments beyond the aforesaid twenty or sixty days in transmitting accounts, an order of the President in the particular case shall be necessary to authorize the advance of money requested: *And provided further*, That this section shall not apply to accounts of the postal revenue and expenditures therefrom, which shall be rendered as now required by law.

The Secretary of the Treasury shall, on the first Monday in January in each year, make report to Congress of such officers as are then delinquent in the rendering of their accounts or in the payment of balances found due from them for the last preceding fiscal year. Sections two hundred and fifty and two hundred and seventy-two of the Revised Statutes are repealed.

Section thirty-six hundred and twenty-two of the Revised Statutes is amended by striking therefrom the following words: "The Secretary of the Treasury may, if in his opinion the circumstances of the case justify and require it, extend the time hereinbefore prescribed for the rendition of accounts."

SEC. 13. Before transmission to the Department of the Treasury, the accounts of district attorneys, assistant attorneys, marshals, commissioners, clerks, and other officers of the courts of the United States, except consular courts, made out and approved as required by law, and accounts relating to prisoners convicted or held for trial in any court of the United States, and all other accounts relating to the business of the Department of Justice or of the courts of the United States other than consular courts, shall be sent with their vouchers to the Attorney General and examined under his supervision.

Judges receiving salaries from the Treasury of the United States shall be paid monthly by the disbursing officer of the Department of Justice, and to him all certificates of nonabsence or of the cause of absence of judges in the Territories shall be sent. Interstate Commerce Commissioners and other officers, now paid as judges are, shall be paid monthly by the proper disbursing officer or officers.

SEC. 14. In the case of claims presented to an auditor which have not had an administrative examination, the auditor shall cause them to be examined by two of his subordinates independently of each other.

SEC. 15. It shall be the duty of the Secretary of the Treasury annually to lay before Congress, on the first day of the regular session thereof, an accurate, combined statement of the receipts and expenditures during the last preceding fiscal year of all public moneys, including those of the Post Office Department, designating the amount of the receipts, whenever practicable, by ports, districts, and States, and the expenditures, by each separate head of appropriation.

SEC. 16. In section three hundred and seven of the Revised Statutes the words "Secretary of the Treasury" are substituted for the words "Register of the Treasury."

SEC. 17. The transcripts from the books and proceedings of the Department of the Treasury, provided for in section eight hundred and eighty-six of the Revised Statutes, shall hereafter be certified by the Secretary or an Assistant Secretary of the Treasury, and the copies of contracts and other papers therein provided for shall be certified by the Auditor having the custody of such papers.

SEC. 18. Section thirty-seven hundred and forty-three of the Revised Statutes is amended to read as follows:

"SEC. 3743. All contracts to be made, by virtue of any law, and requiring the advance of money, or in any manner connected with the settlement of public accounts, shall be deposited promptly in the offices of the Auditors of the Treasury, according to the nature of the contracts: *Provided*, That this section shall not apply to the existing laws in regard to the contingent funds of Congress."

SEC. 19. Section twenty-six hundred and thirty-nine of the Revised Statutes is amended by substituting the words "proper Auditor" for the words "Commissioner of Customs."

SEC. 20. It shall be the duty of the collectors of customs and other officers of customs to transmit, with their accounts, to the officers charged with the settlement of their accounts, all such papers, records, or copies thereof relating to their transactions as officers of customs as the Secretary of the Treasury may direct.

SEC. 21. All accounts stated by the Auditors before the first day of October, eighteen hundred and ninety-four, and then pending for settlement in the offices of the First or Second Comptroller, or the Commissioner of Customs, shall be revised by the Comptroller of the Treasury in the manner provided by existing law, and the balances arising thereon shall be certified to the Division of Bookkeeping and Warrants.

SEC. 22. It shall be the duty of the Secretary of the Treasury to make appropriate rules and regulations for carrying out the provisions of this act, and for transferring or preserving books, papers, or other property appertaining to any office or branch of business affected by it.

It shall also be the duty of the heads of the several Executive Departments and of the proper officers of other Government establishments, not within the jurisdiction of any Executive Department, to make appropriate rules and regulations to secure a proper administrative examination of all accounts sent to them, as required by section twelve of this act, before their transmission to the auditors, and for the execution of other requirements of this act in so far as the same relate to the several departments or establishments.

SEC. 23. Nothing in this act shall be construed to authorize the re-examination and payment of any claim or account which has heretofore been disallowed or settled.

SEC. 24. The provisions of sections three to twenty-three inclusive of this act shall be in force on and after the first day of October, eighteen hundred and ninety-four.

SEC. 25. All laws or parts of laws inconsistent with this act are repealed.

SEC. 26. The joint commission of Congress, appointed under the act approved March third, eighteen hundred and ninety-three, is authorized to pay to the two persons designated by, and on the joint

approval of, the chairman of said commission, for clerical services not exceeding two thousand five hundred dollars per annum from March third, eighteen hundred and ninety-three, until the conclusion of the Fifty-third Congress, notwithstanding section seventeen hundred and sixty-five of the Revised Statutes, or section three of the act of June twentieth, eighteen hundred and seventy-four, chapter three hundred and twenty-eight or of any other provisions of this act.

SEC. 27. The present President of the Senate and Speaker of the House of Representatives are empowered to fill vacancies that may occur by resignation or otherwise on the joint commission to inquire into and examine the status of the laws organizing the executive departments, authorized by the act making appropriations for the legislative, executive and judicial expenses of the Government for the fiscal year ending June thirtieth, eighteen hundred and ninety-four.

Act of March 2, 1895, 28 Stat., 768.

The chief clerk in the office of the Comptroller of the Treasury shall have power in the name of the Comptroller of the Treasury to sign such letters and papers as the comptroller may direct.

\* \* \* \* \*

The law clerks in the office of the Comptroller of the Treasury, and in the offices of the Auditors of the Treasury, shall perform such clerical duties as the heads of their respective offices may require of them.

\* \* \* \* \*

Hereafter, in case of the absence or sickness of any deputy auditor of the Treasury Department, the Secretary of the Treasury may, by an appointment under his hand and official seal, delegate to any officer, not below the grade of a fourth-class clerk, in the office of said auditor, the authority to perform the duties of deputy auditor until such absence or sickness shall cease.

\* \* \* \* \*

SEC. 4. The second proviso of section twelve of the legislative, executive, and judicial appropriation act, approved July thirty-first, eighteen hundred and ninety-four, is hereby amended to read as follows:

"That should there be a delay by the administrative department beyond the aforesaid twenty or sixty days in transmitting accounts, an order of the President, or, in the event of the absence from the seat of government or sickness of the President, an order of the Secretary of the Treasury, in the particular case, shall be necessary to authorize the advance of money requested."

SEC. 10. Section seventeen of "An act making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June thirtieth, eighteen hundred and ninety-five, and for other purposes," approved July thirty-first, eighteen hundred and ninety-four, is amended to read as follows:

"The transcripts from the books and proceedings of the Department of the Treasury and the copies of bonds, contracts and other papers provided for in section eight hundred and eighty-six of the Revised Statutes shall hereafter be certified by the Secretary or an Assistant Secretary of the Treasury under the seal of the department."

**Act of May 28, 1896, 29 Stat., 179.**

**SEC. 4.** So much of section twelve of the legislative, executive, and judicial appropriation act approved July thirty-first, eighteen hundred and ninety-four, as requires the Secretary of the Treasury, on the first Monday of January in each year, to make report to Congress of such officers as are then delinquent in the rendering of their accounts or in the payment of balances found due from them for the last preceding fiscal year is amended to read as follows:

“The Secretary of the Treasury shall, on the first Monday of January in each year, make report to Congress of such officers and administrative departments and offices of the Government as were, respectively, at any time during the last preceding fiscal year delinquent in rendering or transmitting accounts to the proper offices in Washington and the cause therefor, and in each case indicating whether the delinquency was waived, together with such officers, including postmasters and officers of the Post Office Department, as were found upon final settlement of their accounts to have been indebted to the Government, with the amount of such indebtedness in each case, and who, at the date of making report, had failed to pay the same into the Treasury of the United States.”

\* \* \* \* \*

**Act of February 19, 1897, 29 Stat., 550.**

All books, papers, and other matters relating to the office or accounts of disbursing officers of the executive departments, and commissions, boards, and establishments of the Government in the District of Columbia shall at all times be subject to the inspection and examination by the Comptroller of the Treasury and the Auditor of the Treasury authorized to settle such accounts, or by the duly authorized agents of either of said officials.

\* \* \* \* \*

**SEC. 5.** All books, papers, and other matters relating to the accounts of officers of the Government in the District of Columbia shall at all times be subject to inspection and examination by the Comptroller of the Treasury and the Auditor of the Treasury authorized to settle such accounts, or by the duly authorized agents of either of said officials.

**Act June 27, 1898, 30 Stat., 494.**

\* \* \* That section one of the act of March third, eighteen hundred and eighty-seven, chapter three hundred and fifty-nine, second session of the Forty-ninth Congress, be amended by adding thereto the following proviso, to wit: *Provided, further,* That no suit against the Government of the United States, brought by any officer of the United States to recover fees for services alleged to have been performed for the United States, shall be allowed under this act unless an account for said fees shall have been rendered and finally acted upon according to the provisions of the act of July thirty-first, eighteen hundred and ninety-four (chapter one hundred and seventy-four, Twenty-eighth Statutes at Large, page one hundred and sixty-two), unless the proper accounting officer of the Treasury fails to finally act thereon within six months after the account is received in said office.

**Act June 30, 1898, 30 Stat., 526.**

That hereafter all accounts for the disbursement of appropriations made either from the revenues of the District of Columbia or jointly from the revenues of the United States and the District of Columbia shall be audited by the Auditor of the District of Columbia before being transmitted to the accounting officers of the Treasury, unless otherwise specifically provided in the law making such appropriations: *Provided*, That this provision shall not apply to disbursements on account of the court of appeals and the Supreme Court of the District of Columbia, and for interest and sinking fund on the funded debt of the District of Columbia, which disbursements shall continue to be audited as heretofore provided by law.

\* \* \* **SEC. 3.** \* \* \* That no suit against the Government of the United States, brought by any officer of the United States to recover fees for services alleged to have been performed for the United States, shall be allowed under this act unless an account for said fees shall have been rendered and finally acted upon according to the provisions of the act of July thirty-first, eighteen hundred and ninety-four (chapter one hundred and seventy-four, Twenty-eighth Statutes at Large, page one hundred and sixty-two), unless the proper accounting officer of the Treasury fails to finally act thereon within six months after the account is received in said office.

**Act January 5, 1899, 30 Stat., 772.**

\* \* \* That the time for the examination of monthly accounts by the bureaus and offices of the War Department after the date of their actual receipt and before transmitting the same to the Auditor for the War Department, as limited by section twelve of the legislative, executive, and judicial appropriation act, approved July thirty-first, eighteen hundred and ninety-four, is hereby extended from twenty days to sixty days for the period of one year from the date of the passage of this act.

**Act December 20, 1899, 31 Stat., 1.**

\* \* \* That the time for examination of monthly accounts by the bureaus and the offices of the War Department after the date of actual receipt and before transmitting the same to the Auditor for the War Department, as limited by section twelve of the legislative, executive, and judicial appropriation act, approved July thirty-first, eighteen hundred and ninety-four, is hereby extended from twenty days to sixty days for the period of one year from the date of the passage of this act.

**Act June 6, 1900, 31 Stat., 637.**

\* \* \* **Back pay and bounty:** For payment of amounts for arrears of pay of two and three year volunteers, for bounty to volunteers and their widows and legal heirs, for bounty under the act of July twenty-eighth, eighteen hundred and sixty-six, and for amount for commutation of rations to prisoners of war in rebel States, and to soldiers on furlough, that may be certified to be due by the accounting officers of the Treasury during the fiscal year nineteen hundred and one, two hundred thousand dollars, together with the unexpended balance appropriated for this object for the fiscal year



nineteen hundred: *Provided*, That in the settlement of claims of officers, soldiers, sailors, and marines, or their representatives, and all other claims for pay and allowances within the jurisdiction of the Auditor for the War Department or the Auditor for the Navy Department, presented and filed hereafter in which it is the present practice to make deductions of attorneys' fees from the amount found due, no deductions of fees for attorneys or agents shall hereafter be made, but the draft, check, or warrant for the full amount found due shall be delivered to the payee in person or sent to his bona fide post-office address (residence or place of business).

**Act March 2, 1901, 31 Stat., 910.**

\* \* \* The time for examination of monthly accounts, covering expenditures from appropriations for the Army, by the bureaus and offices of the War Department, after the date of actual receipt and before transmitting the same to the Auditor for the War Department, as limited by section twelve, act approved July thirty-first, eighteen hundred and ninety-four, is hereby extended from twenty to sixty days.

**Act July 1, 1902, 32 Stat., 592.**

*Provided*, That hereafter when differences arise in the examination of the accounts of the disbursing officer of the District of Columbia, calling for the suspension of any item in said accounts, it shall be the duty of the Auditor for the State and Other Departments who settles said accounts, to notify the auditor of the District of Columbia in connection with the disbursing officer of the District of Columbia of the grounds of such objections resulting in said suspensions, in order that said auditor in connection with said disbursing officer may by explanation if possible remove said grounds of suspension. The auditor of the District of Columbia shall continue to prepare and countersign all checks issued by the disbursing officer, and no check involving disbursement of public moneys by the disbursing officer shall be valid unless countersigned by the auditor of the District of Columbia.

**Act February 14, 1903, 32 Stat., 825.**

SEC. 2. \* \* \* And the Auditor for the State and Other Departments shall receive and examine all accounts of salaries and incidental expenses of the office of the Secretary of Commerce and Labor, and of all bureaus and offices under his direction, all accounts relating to the Lighthouse Board, Steamboat-Inspection Service, Immigration, Navigation, Alaskan fur-seal fisheries, the National Bureau of Standards, Coast and Geodetic Survey, Census, Department of Labor, Fish Commission, and to all other business within the jurisdiction of the Department of Commerce and Labor, and certify the balances arising thereon to the Division of Bookkeeping and Warrants and send forthwith a copy of each certificate to the Secretary of Commerce and Labor.

**Act March 3, 1903, 32 Stat., 955.**

\* \* \* That the proper accounting officers of the Treasury be, and they are hereby, directed, in the settlement of the accounts of disbursing officers of the War Department, arising between the twenty-first day of April, eighteen hundred and ninety-eight, from

which date war with Spain is declared to have existed, and the eighth day of July, nineteen hundred and one, inclusive, the date on which the last organization of the Volunteer Army was mustered out of the service of the United States, to allow such credits for payments and for losses of funds, vouchers, and property as may be recommended under authority of the Secretary of War by the heads of the military bureaus to which such accounts respectively pertain.

SEC. 2. That the accounts of military officers, whether of the line or staff, for Government property charged to them, shall be closed by the proper accounting officers whenever, in the judgment of the Secretary of War, it will be for the interest of the United States to do so: *Provided*, That such accounts originated subsequent to April twenty-first, eighteen hundred and ninety-eight, and prior to the ninth day of July, nineteen hundred and one: *Provided further*, That no settlement shall be made by the officers of the Treasury, under this act, of the accounts of any officer whose combined responsibility for public money and Government property shall exceed the sum of five thousand dollars, and only of such officers of the Army in whose accounts there is no apparent fraud against the United States: *And provided further*, That this act shall remain in force for two years from and after its passage, and no longer.

Act February 18, 1904, 33 Stat., 41.

And hereafter in all cases of final judgments and awards rendered against the United States by the Court of Claims, and of final judgments rendered against the United States by the circuit and district courts of the United States, payment thereof under appropriations made by Congress shall be made on settlements by the auditor for the department or branch of the public service having jurisdiction over the subject matter out of which the claims arose.

Act February 3, 1905, 33 Stat., 647.

\* \* \* Hereafter the accounts for the Isthmian Canal Commission shall be audited by the Auditor for the War Department.

Act of June 30, 1906, 34 Stat., 750.

Hereafter, in the settlement of the accounts of deceased officers or enlisted men of the Army, where the amount due to the decedent's estate is less than five hundred dollars and no demand is presented by a duly appointed legal representative of the estate, the accounting officers may allow the amount found due to the decedent's widow or legal heirs in the following order of precedence: First, to the widow; second, if decedent left no widow, or the widow be dead at time of settlement, then to the children or their issue, per stirpes; third, if no widow or descendants, then to the father and mother in equal parts, provided the father has not abandoned the support of his family, in which case to the mother alone; fourth, if either the father or mother be dead then to the one surviving; fifth, if there be no widow, child, father, or mother at the date of settlement, then to the brothers and sisters and children of deceased brothers and sisters, per stirpes: *Provided*, That this act shall not be so construed as to prevent payment from the amount due the decedent's estate of funeral expenses, provided a claim therefor is presented by the person or persons who actually paid the same before settlement by the accounting officers.

**Act of March 4, 1909, 35 Stat., 866.**

\* \* \* *Provided*, That hereafter the Secretary of the Treasury may from time to time designate any employees in the office of the Auditor for the Post Office Department above the grade of class one to countersign warrants and drafts in the name of the auditor and such warrants and drafts, when so countersigned, shall be of the same validity as if countersigned by the Auditor for the Post Office Department.

**Act March 4, 1911, 36 Stat., 1266.**

That the accounting officers of the Treasury are hereby authorized and directed to open and resettle, upon application, the accounts of volunteer officers of the Navy who served in the War with Spain, and to resettle such accounts in accordance with the decision of the Supreme Court of the United States in the case of the United States against John M. Hite, reported in Two hundred and fourth United States Reports, page three hundred and forty-three.

**Act March 4, 1911, 36 Stat., 1190.**

The position of deputy auditor authorized in the offices of the six auditors of the Treasury for the several executive departments and other Government establishments are hereby abolished to take effect on and after July first, nineteen hundred and eleven, and on and after said date the duties and powers theretofore exercised by law by said deputy auditors shall be exercised by the chief clerk and chief of division in each of said auditor's offices except in the office of the Auditor for the Post Office Department, where such duties and powers shall be exercised by the assistant and chief clerk.

**Act August 23, 1912, 37 Stat., 375.**

Hereafter the administrative examination of all public accounts preliminary to their audit by the accounting officers of the Treasury, shall be made as contemplated by the so-called Dockery Act, approved July thirty-first, eighteen hundred and ninety-four, and all vouchers and pay rolls shall be prepared and examined by and through the administrative heads of divisions and bureaus in the executive departments and not by the disbursing clerks of said departments, except those vouchers heretofore prepared outside of Washington may continue to be so prepared and the disbursing officers shall make only such examination of vouchers as may be necessary to ascertain whether they represent legal claims against the United States.

**Act August 23, 1912, 37 Stat., 404.**

The administrative audit of all expenditures under the control of the Department of Justice shall hereafter be made in the Division of Accounts of that department.

**Act March 4, 1913, 37 Stat., 737.**

SEC. 2. \* \* \* The Auditor for the State and Other Departments shall receive and examine all accounts of salaries and incidental expenses of the office of the Secretary of Labor and of all bureaus and offices under his direction, and all accounts relating to all other business within the jurisdiction of the Department of Labor, and certify the balances arising thereon to the Division of Bookkeep-

ing and Warrants and send forthwith a copy of such certificate to the Secretary of Labor.

**Act October 22, 1913, 38 Stat., 209.**

The money accounts of the Panama Canal, under the Panama Canal Act of August twenty-fourth, nineteen hundred and twelve (Statutes at Large, volume thirty-seven, page five hundred and sixty), shall continue to be audited by the Auditor for the War Department.

**Act August 1, 1914, 38 Stat., 679.**

**SEC. 5.** That the collecting officers of the Panama Canal shall render their accounts in such detail, and shall transmit with their accounts to the accounting officers of the Treasury charged with the settlement thereof all such papers, records, and copies relating to their transactions as collectors as shall be prescribed in regulations approved by the President, and, in his judgment, not incompatible with the methods of accounting prescribed in the so-called Dockery Act, approved July thirty-first, eighteen hundred and ninety-four.

**Act March 3, 1915, 38 Stat., 886.**

**SEC. 3.** That in prescribing regulations under the provisions of section five of the sundry civil act of August first, nineteen hundred and fourteen, the President shall provide that in lieu of furnishing to the auditor individual detail collection vouchers, not provided for in said regulations, two competent persons, one from the office of the Auditor for the War Department, designated by the auditor, and one from the office of the Comptroller of the Treasury, designated by the comptroller, shall be sent semiannually, at such time as may be designated by the comptroller, to the Canal Zone to examine the accounts and vouchers, and verify the submitted schedules of collections, and report in triplicate to the Auditor for the War Department, the Comptroller of the Treasury, and the auditor of the Panama Canal; and such persons shall make such other examination into the accounts of the Panama Canal as may be directed by the comptroller, and for all such purposes they shall have access to all records and papers pertaining thereto. Such examination and inspection shall be made for the period covered by the persons designated as soon as practicable, and the report of such persons shall be promptly filed. Such persons shall be furnished their transportation going and returning, including meals, and be paid a per diem of \$4 from the day of sailing from the United States until return thereto, both days inclusive, in lieu of subsistence on the Isthmus and all other expenses, out of such appropriation for the Panama Canal as may be designated by the governor.

**Act March 4, 1915, 38 Stat., 1021.**

Hereafter the accounts and vouchers relating to the expenditure of the appropriations for government in the Territories shall be transmitted to the Secretary of the Interior for administrative examination and by him passed to the Auditor for the Interior Department for settlement.

**Act July 1, 1916, 39 Stat., 336.**

**SEC. 5.** That hereafter at the termination of each fiscal year each auditor of the Treasury shall report to the Secretary of the Treasury

all checks issued by any disbursing officer of the Government as shown by his accounts rendered to such auditor, which shall then have been outstanding and unpaid for three years or more, stating fully in such report the name of the payee, for what purpose each check was given, the office on which drawn, the number of the voucher received therefor, the date, the number and the amount for which it was drawn, and, when known, the residence of the payee. And such reports shall be in lieu of the returns required of disbursing officers by section three hundred and ten of the Revised Statutes.

**Act September 24, 1917, 40 Stat., 293.**

**SEC. 12.** That the Secretary of the Treasury is authorized during the war, whenever it shall appear that the public interests require that any of the accounts of the Military Establishment be audited at any place other than the seat of government, to direct the Comptroller of the Treasury and the Auditor for the War Department to exercise, either in person or through assistants, the powers and perform the duties of their offices at any place or places away from the seat of government in the manner that is or may be required by law at the seat of government and in accordance with the provisions of this section.

(a) That when the Secretary of the Treasury shall exercise the authority herein referred to, the powers and duties of the said comptroller and auditor, under and pursuant to the provisions of the act of July thirty-first, eighteen hundred and ninety-four, and all other laws conferring jurisdiction upon those officers, shall be exercised and performed in the same manner as nearly as practicable and with the same effect away from the seat of government as they are now exercised and performed and have effect at the seat of government, and decisions authorized by law to be rendered by the comptroller at the request of disbursing officers may be rendered with the same effect by such assistants as may be authorized by him to perform that duty.

(b) That when pursuant to this section the said comptroller and auditor shall perform their duties at a place in a foreign country the balances arising upon the settlement of accounts and claims of the Military Establishment shall be certified by the Auditor to the Division of Bookkeeping and Warrants of the Treasury Department as now provided for the certification of balances by said auditor in Washington, and the balances so found due shall be final and conclusive upon all branches of the Government, except that any person whose account has been settled or the commanding officer of the Army abroad, or the comptroller may obtain a revision of such settlement by the comptroller upon application therefor within three months, the decision to be likewise final and conclusive, and the differences arising upon such revision to be certified to and stated by the auditor as now provided by law: *Provided*, That certificates of balances due may be transmitted to and paid by the proper disbursing officer abroad instead of by warrant: *Provided further*, That any person whose account has been settled, or the Secretary of War, may obtain a reopening and review of any settlement made pursuant to this section upon application to the Comp-



troller of the Treasury in Washington within one year after the close of the war, and the action of the comptroller thereon shall be final and conclusive in the same manner as herein provided in the case of a balance found due by the auditor.

(c) That the comptroller and auditor shall preserve the accounts, and the vouchers and papers connected therewith, and the files of their offices in the foreign country and transmit them to Washington within six months after the close of the war and at such earlier time as may be directed by the Secretary of the Treasury as to any or all accounts, vouchers, papers, and files.

(d) That the Secretary of the Treasury is authorized to appoint an assistant comptroller and an assistant auditor and to fix their compensation, and to designate from among the persons to be employed hereunder one or more to act in the absence or disability of such assistant comptroller and assistant auditor. He shall also prescribe the number and maximum compensation to be paid to agents, accountants, clerks, translators, interpreters, and other persons who may be employed in the work under this section by the comptroller and auditor. The assistant comptroller and assistant auditor shall have full power to perform in a foreign country all the duties with reference to the settlement there of the accounts of the Military Establishment that the comptroller and auditor now have at the seat of Government and in foreign countries under the provisions of this section, and shall perform such duties in accordance with the instructions received from rules and regulations made by the comptroller and auditor. Such persons as are residing in a foreign country when first employed hereunder shall not be required to take an oath of office or be required to be employed pursuant to the laws, rules, and regulations relating to the classified civil service, nor shall they be reimbursed for subsistence expenses at their post of duty or for expenses in traveling to or from the United States.

(e) That it shall be the duty of all contracting, purchasing, and disbursing officers to allow any representative of the comptroller or auditor to examine all books, records, and papers in any way connected with the receipt, disbursement, or disposal of public money and to render such accounts and at such times as may be required by the comptroller. No administrative examination by the War Department shall be required of accounts rendered and settled abroad, and the time within which these accounts shall be rendered by disbursing officers shall be prescribed by the comptroller, who shall have power to waive any delinquency as to time or form in the rendition of these accounts. All contracts connected with accounts to be settled by the auditor abroad shall be filed in his office there.

(f) That any person appointed or employed under the provisions of this section who at the time is in the service of the United States shall, upon termination of his services hereunder, be restored to the position held by him at the time of such employment. No provision of existing law shall be construed to prevent the payment of money appropriated for the salary of any Government officer or employee at the seat of government who may be detailed to perform duty under this section outside the District of Columbia, and such details are hereby authorized.

(g) That for the payment of the expenses in carrying into effect this section, including traveling expenses, per diem of the auditor of

subsistence for officers and employees absent from Washington, rent, cablegrams and telegrams, printing, law books, books of reference, periodicals, stationery, office equipment and exchange thereof, supplies, and all other necessary expenses, there is hereby appropriated, out of any money in the Treasury not otherwise appropriated for the fiscal year ending June thirtieth, nineteen hundred and eighteen, the sum of \$300,000, of which not exceeding \$25,000 may be expended at Washington for the purpose of this section, but no officer or employee shall receive for duty in Washington any compensation other than his regular salary.

(h) That the Secretary of the Treasury may designate not more than two persons employed hereunder to act as special disbursing agents of the appropriation herein, to serve under the direction of the comptroller, and their accounts shall be rendered to and settled by the accounting officers of the Treasury in Washington. All persons employed under this section shall perform such additional duties as the Secretary of the Treasury may direct.

(i) That the comptroller and the auditor, and such persons as may be authorized in writing by either of them, may administer oaths to American citizens in respect to any matter within the jurisdiction of either of said officers and certify the official character, when known, of any foreign officer whose jurat or certificate may be necessary on any paper to be filed with them.

(j) That persons engaged in work abroad under the provisions of this section may purchase from Army stores for cash and at cost price for their own use such articles or stores as may be sold to officers and enlisted men.

(k) That the authority granted under this section shall terminate six months after the close of the war or at such earlier date as the Secretary of the Treasury may direct, and it shall be the duty of the comptroller and auditor to make such reports as the Secretary of the Treasury may require of the expenditures made and work done pursuant to this section, and such reports shall be transmitted to the Congress at such time as he may decide to be compatible with the public interest.

(l) No officers, employees, or agents appointed or employed under this section shall receive more salary or compensation than like officers, employees, or agents of the Government now receive.

**Act July 1, 1918, 40 Stat., 651.**

The Secretary of the Treasury is authorized and directed to cause an audit to be made of the financial transactions of the United States Shipping Board Emergency Fleet Corporation, under such rules and regulations as he shall prescribe.

**Act July 3, 1918, 40 Stat., 773.**

The chief clerk in the office of the Comptroller of the Treasury hereafter shall have the power, in the name of the comptroller, to countersign all classes of warrants.

**Act July 9, 1918, 40 Stat., 892.**

Extension of time for transmitting money accounts: That the Secretary of the Treasury is hereby authorized in time of war, upon the request to the Secretary of War, to extend the period during which

money accounts covering expenditures from appropriations for the Army may be transmitted to the Auditor for the War Department after their receipt in the War Department from sixty to ninety days.

**Act July 9, 1918, 40 Stat., 881.**

**Sec. 3.** That the proper accounting officers of the Treasury be, and they are hereby, authorized and directed to examine into, ascertain, and determine the value of the property lost, destroyed, captured, or abandoned as specified in the foregoing sections, or the amount of the damage thereto, as the case may be; and the amount of such value or damage so ascertained and determined shall be paid out of any money in the Treasury not otherwise appropriated: *Provided*, That in time of war or of operations during public disaster such property lost, destroyed, captured, or abandoned, or so damaged as to be unfit for service, shall be replaced in kind from Government property on hand, or adequate commutation given therefor when replacement in kind can not be made, or can not be made within a reasonable time by the supply officer or quartermaster of the organization to which the person entitled thereto belongs or with which he is serving upon the order of the commanding officer thereof.

**Act of July 11, 1919, 41 Stat. (Public, No. 7, p. 18.)**

For payment of claims for damages to and loss of private property incident to the training, practice, operation, or maintenance of the Army that have accrued, or may hereafter accrue, from time to time, to be immediately available and to remain available until expended: *Provided*, That settlement of such claims shall be made by the Auditor for the War Department, upon the approval and recommendation of the Secretary of War, where the amount of damage has been ascertained by the War Department, and payment thereof will be accepted by the owners of the property in full satisfaction of such damages, \$40,000.

**Act of July 11, 1919, 41 Stat. (Public, No. 8, p. 2.)**

The accounting officers of the Treasury shall relieve any disbursing officer of the Navy charged with responsibility on account of loss or deficiency while in the line of his duty of Government funds, vouchers, records, or papers in his charge, where such loss or deficiency occurred without fault or negligence on the part of said officer: *Provided*, That the Secretary of the Navy shall have determined that the officer was in the line of his duty, and the loss or deficiency occurred without fault or negligence on his part: *Provided further*, That the determination by the Secretary of the Navy of the aforesaid questions shall be conclusive upon the accounting officers of the Treasury: *Provided further*, That all cases of relief granted under this authority during any fiscal year shall be reported in detail to the Congress by the Secretary of the Navy.

**Act of July 11, 1919, 41 Stat. (Public, No. 8, p. 25.)**

That the accounting officers of the Treasury Department are hereby authorized and directed to allow, in the settlement of the accounts of disbursing officers of the Navy and Marine Corps covering the period of the present emergency, such credits for payments

to officers and enlisted men not ordinarily allowable under the statutes as are certified to them by the Secretary of the Navy as having been incurred under military necessity, or as having been occasioned by accidental circumstances or conditions over which such disbursing officers had no control and for which they were not justly responsible: *Provided*, That the period of the present emergency as contemplated by this paragraph shall be regarded as beginning on the 6th day of April, 1917, and as terminating six months after the expiration of the quarter in which peace is declared. And that nothing herein shall be construed to include payments under contracts for supplies or services.

## APPENDIX VI.

### EXCHEQUER AND AUDIT DEPARTMENTS ACT (GREAT BRITAIN), 1866.

(29 and 30 Vict. Chapter 39.)

AN ACT to consolidate the duties of the exchequer and audit departments, to regulate the receipt, custody, and issue of public moneys, and to provide for the audit of the accounts thereof. (28th June, 1866.)

Whereas it is expedient to consolidate the powers and duties of the comptroller of Her Majesty's exchequer and of the commissioners for auditing the public accounts, and to unite in one department the business hitherto conducted by the separate establishments under them; and to make other provisions for the more complete examination of the public accounts of the United Kingdom. Be it therefore enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

1. This act may be cited for all purposes as the exchequer and audit departments act, 1866.

2. In this act "the treasury" shall mean the commissioners of Her Majesty's treasury for the time being, or any two or more of them; "the Bank of England" shall mean the governor and company of the Bank of England; "the Bank of Ireland" shall mean the governor and company of the Bank of Ireland; "the national debt commissioners" shall mean the commissioners for the reduction of the national debt; "principal accountants" shall mean those who receive issues directly from the accounts of Her Majesty's exchequer at the Banks of England and Ireland, respectively; "subaccountants" shall mean those who receive advances, by way of imprest, from principal accountants, or who receive fees or other public moneys through other channels; "the secretaries of the treasury" shall include the assistant secretary.

3. At any time with twelve months after the passing of this act it shall be lawful for Her Majesty, her heirs and successors, by letters patent under the great seal of the United Kingdom, to nominate and appoint the person who shall at that time hold the office of comptroller general of the receipt and issue of Her Majesty's exchequer, and chairman of the commissioners for auditing the public accounts, to be comptroller general of the receipt and issue of Her Majesty's exchequer and auditor general of public accounts, in this act referred to as "comptroller and auditor general," and also to nominate and appoint one of the persons who shall at that time hold the offices of commissioners for auditing the public accounts to be "assistant comptroller and auditor."



The said comptroller and auditor general and assistant comptroller and auditor shall hold their offices during good behaviour, subject, however, to their removal therefrom by Her Majesty, her heirs and successors, on an address from the two Houses of Parliament; and they shall not be capable of holding their offices together with any other office to be held during pleasure under the Crown or under any officer appointed by the Crown; nor shall they be capable, while holding their offices, of being elected or of sitting as members of the House of Commons; nor shall any peer of Parliament be capable of holding either of the said offices.

4. Her Majesty may, by such letters patent, grant to the persons therein named the following salaries; that is to say—

To the comptroller and auditor general a salary of two thousand pounds per annum, and to the assistant comptroller and auditor a salary of one thousand five hundred pounds per annum; and such salaries shall be charged upon and paid out of the consolidated fund of the United Kingdom or the growing produce thereof. It shall be lawful for Her Majesty, her heirs and successors, by letters patent as aforesaid, to grant to any person who shall have executed the offices of comptroller and auditor general, or assistant comptroller and auditor, on his ceasing to hold such office, an annuity or pension not exceeding one-half of the salary of his office to which he shall have been entitled immediately before he ceased to hold such office, if he shall have held either, or one after the other, of the said offices, or the office of commissioner of audit for a period not less than fifteen years, and two-thirds of his said salary if he shall have held either, or one after the other, of the said offices for a period not less than twenty years: *Provided always*, That no such annuity or pension shall be granted to either of the said officers unless he be sixty years of age at the least, or be afflicted with some permanent infirmity disabling him from the due execution of his office, the same to be distinctly recited in such grant: *Provided also*, That nothing herein contained shall prevent either of the said officers from receiving, in lieu of such annuity or pension, if he shall so elect, the amount of superannuation allowance to which he would have been entitled in respect of the full period during which he shall have served in the permanent civil service of the State under the provisions of the superannuation act, 1859.

5. On the appointment as aforesaid of a comptroller and auditor general and an assistant comptroller and auditor, the then existing letters patent of appointments of comptroller general of the exchequer and of commissioners of audit shall be ipso facto revoked, and the present offices of comptroller general of the exchequer and commissioners of audit shall be abolished, but the person appointed to be comptroller and auditor general shall have and perform all the powers and duties conferred or imposed on the comptroller general of the exchequer and the commissioners for auditing the public accounts, respectively, by any enactments relative to those authorities, respectively, as far as the same are not repealed or altered by this act or any other act of the present session of Parliament; and it shall be lawful for the treasury to grant to each of the said commissioners of audit whose offices shall be abolished under the provisions of this act, and who shall not be appointed to either of the said offices of

comptroller and auditor general or assistant comptroller and auditor, an annual allowance, by way of compensation, not exceeding the sum charged on the consolidated fund as the salary of such commissioners: *Provided always*, That any commissioners who may be in receipt of emoluments exceeding the salary so charged on the consolidated fund shall be entitled to receive, in addition to the aforesaid compensation allowance, such proportion of the said emoluments as the treasury are empowered to grant under the provisions of the superannuation act, 1859; and such allowances shall be charged upon and paid out of the consolidated fund of the United Kingdom or the growing produce thereof.

6. On the death, resignation, or other vacancy in the office of the comptroller and auditor general, or of the assistant comptroller and auditor, Her Majesty, her heirs and successors, may by letters patent as aforesaid nominate and appoint a successor, who shall have the same powers, authorities, and duties, and who shall be paid the like salary and the like annuity or pension out of the consolidated fund.

7. Anything which under the authority of this act is directed to be done by the comptroller and auditor general may, in his absence, be done by the assistant comptroller and auditor, except the certifying and reporting on accounts for the House of Commons.

8. The treasury shall from time to time appoint the officers, clerks, and other persons in the department of the comptroller and auditor general, and Her Majesty by order in council may from time to time regulate the numbers and salaries of the respective grades or classes into which the said officers, clerks, and others shall be divided.

9. The comptroller and auditor general shall have full power to make from time to time orders and rules for the conduct of the internal business of his department, and to promote, suspend, or remove any of the officers, clerks, and others employed therein; and to prescribe regulations and forms for the guidance of principal and of subaccountants in making up and rendering their periodical accounts for examination: *Provided always*, That all such regulations and forms shall be approved by the treasury previously to the issue thereof.

10. The commissioners of customs, the commissioners of inland revenue, and the postmaster general shall, after deduction of the payments for drawbacks, bounties of the nature of drawbacks, repayments, and discounts, cause the gross revenues of their respective departments to be paid, at such times and under such regulations as the treasury may from time to time prescribe, to accounts to be intituled "The account of Her Majesty's exchequer" at the Bank of England and at the Bank of Ireland, respectively, and all other public moneys payable to the exchequer shall be paid to the same accounts, and accounts of all such payments shall be rendered to the comptroller and auditor general daily in such form as the treasury may prescribe: *Provided always*, That this enactment shall not be construed to prevent the collectors and receivers of the said revenues and moneys from cashing, as heretofore, under the authority of any act or regulation, orders issued for naval, military, civil, or other services, repayable to the revenue department, out of the consolidated fund or out of moneys provided by

11. All moneys paid into the Bank of England or the Bank of Ireland on account of the exchequer shall be con-

ernor and company of the ...  
general fund in their ...  
to the said banks for ...  
troller and auditor ...  
service, shall be satisfied ...  
to economise the public ...  
to be issued or transferred ...  
of principal accountants ...  
to such total sums as ...  
current payments for ...  
accountants; and the ...  
sums so transferred ...  
general drawing balance ...  
for which they are accountable ...  
books of such accountants ...  
which the same may be ...  
always. That this ...  
treasury or any authority ...  
principal accountant, of ...  
services are or may be ...  
of the House of Commons ...  
supplies annually granted ...

12. At the close of each ...  
day of March, the thirty-first ...  
tember, and the thirty-first ...  
treasury shall prepare an ...  
consolidated fund in Great ...  
and the charges for the public ...  
fifth day of July, the tenth ...  
January shall be included in the ...  
quarters ending on the days ...  
of such account shall forthwith be ...  
comptroller and auditor general ...  
count that the income of the consolidated ...  
in Ireland for the quarter is not sufficient ...  
it, the comptroller and auditor general ...  
Of the deficiency, shall certify the amount ...  
England or to the Bank of Ireland, as the ...  
such certificates the said banks shall be authorised ...  
from time to time, during the succeeding ...  
of the treasury, by writing, in a form to be ...  
terminated by them, to an amount not exceeding ...  
sums specified in such certificates; and all ...  
placed to the credit of the exchequer account ...  
available to satisfy the orders for credits granted ...  
upon the said accounts by the comptroller and ...  
the principal and interest of all such advances ...  
the growing produce of the consolidated fund in the said ...  
quarter.

13. The comptroller and auditor general shall ...  
from time to time ...  
of the ...  
the Bank of ...

Grant to the ...  
authorising the ...  
and, or on the exchequer ...  
the growing ...

thereof, not exceeding the amount of the charge in the aforesaid quarterly account of the income and charge of the consolidated fund remaining unpaid.

The comptroller and auditor general shall also grant from time to time to the treasury, on similar requisitions, supplemental credits for services payable under any act out of the growing produce of the consolidated fund, and not included in the aforesaid quarterly account; and the issues or transfers of moneys required from time to time by the principal accountants to enable them to make the payments intrusted to them shall be made out of such credits on orders issued to the said banks, signed by one of the secretaries of the treasury, or in their absence by such officer or officers as the treasury may from time to time appoint to that duty, and in all such orders the services for which the issues may be authorised shall be set forth.

A daily account of all issues or transfers made from the exchequer accounts, in pursuance of such orders, shall be transmitted by the said banks to the comptroller and auditor general.

14. When any sum or sums of money shall have been granted to Her Majesty by a resolution of the House of Commons, or by an act of Parliament, to defray expenses for any specified public services, it shall be lawful for Her Majesty from time to time, by her royal order under the royal sign manual, countersigned by the treasury, to authorise and require the treasury to issue, out of the credits to be granted to them on the exchequer accounts as hereinafter provided, the sums which may be required from time to time to defray such expenses, not exceeding the amount of the sums so voted or granted.

15. When any ways and means shall have been granted by Parliament to make good the supplies granted to Her Majesty by any act of Parliament or resolution of the House of Commons, the comptroller and auditor general shall grant to the treasury, on their requisition authorising the same, a credit or credits on the exchequer accounts at the Bank of England and Bank of Ireland, or on the growing balances thereof, not exceeding in the whole the amount of the ways and means so granted. Out of the credits so granted to the treasury issues shall be made to principal accountants from time to time on orders issued to the said banks, signed by one of the secretaries of the treasury, or in their absence by such officer or officers as the treasury may from time to time appoint to that duty; and the services or votes on account of which the issues may be authorized shall be set forth in such orders: *Provided always*, That the issues for army and navy services shall be made under the general head of "army" and "navy," respectively.

A daily account of all issues made from the exchequer accounts in pursuance of such orders shall be transmitted by the said banks to the comptroller and auditor general.

<sup>1</sup> 16. Within fifteen days after the expiration of the quarters ending on the thirty-first day of March, the thirtieth day of June, the thirtieth day of September, and the thirty-first day of December in every year, the treasury shall prepare an account of the public income and expenditure of the United Kingdom, according to the actual receipt and issue of moneys on the exchequer accounts at the

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<sup>1</sup> Sec. 16 is repealed by 38 and 39 Vict. c. 45, s. 6.

Bank of England and Bank of Ireland in the twelve months ending on such quarter days respectively; and if there shall appear by such account to be a surplus of income above expenditure, the treasury shall certify the same to the national debt commissioners, and one-fourth part of such surplus shall be applicable to the reduction of the national debt as hereinafter directed; and the national debt commissioners shall publish from time to time in the London Gazette the sum which will be so applied in the ensuing quarter. The treasury shall cause one-fourth part of such surplus income to be charged on the consolidated fund in the quarter succeeding the termination of such account; and the sum so charged shall be issued by the treasury from time to time in the next ensuing quarter to the national debt commissioners, who shall apply the same, during the said quarter, in redeeming funded or unfunded debt, or in repaying to the Bank of England or to the Bank of Ireland any advances made by them, under the provisions of this act, towards supplying the deficiency of the consolidated fund during the said quarter; and all debt so redeemed shall be forthwith cancelled. And a copy of every account prepared by the treasury as aforesaid, certified by the comptroller and auditor general, shall be laid before the House of Commons within fifteen days after the expiration of the said quarterly periods, if Parliament be then sitting, or, if not sitting, then within one week after Parliament shall be next assembled.

<sup>1</sup> 17. All debts accruing due under any contract or lease now or hereafter entered into or taken for the public service, and payable out of the supplies from time to time voted by Parliament to Her Majesty for the public service, in any department for which the payments are made by the paymaster general, shall be discharged and paid in manner following; that is to say, such debts shall be payable on the order of the department, and the payment thereof shall be made by a draft drawn by the paymaster general on the Bank of England, according to the course and practice of his office, payable to the persons to whom such debts may be due, or to their agents.

18. The treasury may from time to time determine at what banks accountants shall keep the public moneys entrusted to them, and they may also determine what accounts so opened in the names of public officers or accountants in the books of the Bank of England, of the Bank of Ireland, or of any other bank, shall be deemed public accounts; and on the death, resignation, or removal of any such public officers or accountants the balances remaining at the credit of such accounts shall, upon the appointment of their successors, unless otherwise directed by law, vest in and be transferred to the public accounts of such successors at the said banks, and shall not in the event of the death of any such public officers or accountants, constitute assets of the deceased, or be in any manner subject to the control of their legal representatives.

19. It shall be lawful for the treasury, whenever they shall consider it for the advantage of the public service, to direct that the accounts of any public officer or department, which by any act or acts are required to be kept under separate heads at the Bank of England or at the Bank of Ireland, shall be consolidated in such manner as they shall judge most convenient for the public service.

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<sup>1</sup> Section 17 is repealed by 52 and 53 Vict. c. 58, s. 2.



20. It shall be lawful for the Bank of England and Bank of Ireland, at the request of the treasury, signified by one of their secretaries, for the public convenience, to open and keep accounts of Government stock and annuities in the books of the said banks under the official description of any public officer for the time being without naming him and the dividends on such stock and annuities may from time to time be received, and the stock and annuities, or any part thereof, to the credit of such account may from time to time be transferred by the officer for the time being holding such office, as if such stock and annuities stood in his own name; and upon the death, resignation, or removal of any such public officer, the stock and annuities standing to the credit of such account, and all dividends thereon, including any dividends not theretofore received, shall become vested in his successor in office, and be receivable and transferable accordingly. And any such public officer in whose official description such Government stock and annuities may be standing may, by letter of attorney, authorise the Bank of England or the Bank of Ireland, or all or any of their cashiers, to sell and transfer all or any part of the stock or annuities from time to time standing in the books of the said banks on such account, and to receive the dividends due and to become due thereon; but no stock or annuities shall be sold or transferred at the said banks under the authority of such general letter of attorney, except upon an order in writing, signed by one of the secretaries of the treasury, directed to the proper officers of the said banks.

#### APPROPRIATION ACCOUNTS.

21. The treasury shall cause an account to be prepared and transmitted to the comptroller and auditor general for examination on or before the thirtieth day of September in every year, showing the issues made from the consolidated fund of Great Britain and Ireland in the financial year ended on the thirty-first day of March preceding, for the interest and management of the public funded and unfunded debt, for the civil list, and all other issues in the financial year for services charged directly on the said fund; and the comptroller and auditor general shall certify and report upon the same with reference to the acts of Parliament under the authority of which such issues may have been directed; and such accounts and reports shall be laid before the House of Commons by the treasury on or before the thirty-first day of January in the following year, if Parliament be then sitting, and if not sitting, then within one week after Parliament shall be next assembled.

22. On or before the days specified in the respective columns of Schedule (A) annexed to this act, accounts of the appropriation of the several supply grants comprised in the appropriation act of each year shall be prepared by the several departments, and be transmitted for examination to the comptroller and auditor general and to the treasury, and when certified and reported upon as hereinafter directed they shall be laid before the House of Commons; and such accounts shall be called the "appropriation accounts" of the moneys expended for the services to which they may respectively relate; and the treasury shall determine by what departments

such accounts shall be prepared and rendered to the comptroller and auditor general, and the comptroller and auditor general shall certify and report upon such accounts as hereinafter directed; and the reports thereon shall be signed by the comptroller and auditor general: *Provided always*, And it is the intention of this act that the treasury shall direct that the department charged with the expenditure of any vote under the authority of the treasury shall prepare the appropriation account thereof: *Provided also*, That the term "department," when used in this act in connexion with the duty of preparing the said appropriation accounts, shall be construed as including any public officer or officers to whom that duty may be assigned by the treasury.

23. A plan of account books and accounts, adapted to the requirements of each service in order to exhibit, in a convenient form, the whole of the receipts and payments in respect of each vote, shall be designed under the superintendence of the treasury; and Her Majesty may from time to time, by order in council, prescribe the manner in which each department of the public service shall keep its accounts.

24. An appropriation account of supply grants shall exhibit on the charge side thereof the sum or sums appropriated by Parliament for the service of the financial year to which the account relates, and on the discharge side thereof the sums which may have actually come in course of payment within the same period; and no imprest or advance, of the application of which an account may not have been rendered to and allowed by the accounting department, shall be included on the discharge side thereof.

25. The department charged with the duty of preparing the appropriation account of a grant shall, if required so to do by the comptroller and auditor general, transmit to him, together with the annual appropriation account of such grant, a balance sheet so prepared as to show the debtor and creditor balances in the ledgers of such department on the day when the said appropriation account was closed, and to verify the balances appearing upon the annual appropriation account: *Provided always*, That the comptroller and auditor general may, if he thinks fit, require the said department to transmit to him in lieu of such balance sheet a certified statement showing the actual disposition of the balances appearing upon the annual appropriation account on the last day of the period of such account.

26. Every appropriation account when rendered to the comptroller and auditor general shall be accompanied by an explanation showing how the balance or balances on the grant or grants included in the previous account have been adjusted, and shall also contain an explanatory statement of any excess of expenditure over the grant or grants included in such account, and such statement as well as the appropriation account shall be signed by such department.

27. Every appropriation account shall be examined by the comptroller and auditor general on behalf of the House of Commons; and in the examination of such accounts the comptroller and auditor general shall ascertain, first, whether the payments which the accounting department has charged to the grant are supported by vouchers or proofs of payments, and, second, whether the money expended has been applied to the purpose or purposes for which such

grant was intended to provide: *Provided always*, And it is hereby enacted, that whenever the said comptroller and auditor general shall be required by the treasury to ascertain whether the expenditure included or to be included in an appropriation account, or any portion of such expenditure, is supported by the authority of the treasury, the comptroller and auditor general shall examine such expenditure with that object, and shall report to the treasury any expenditure which may appear, upon such examination, to have been incurred without such authority; and if the treasury should not thereupon see fit to sanction such unauthorised expenditure, it shall be regarded as being not properly chargeable to a Parliamentary grant, and shall be reported to the House of Commons in the manner hereinafter provided.

28. In order that such examination may, as far as possible, proceed *pari passu* with the cash transactions of the several accounting departments, the comptroller and auditor general shall have free access, at all convenient times, to the books of account and other documents relating to the accounts of such departments, and may require the several departments concerned to furnish him from time to time, or at regular periods, with accounts of the cash transactions of such departments respectively up to such times or periods.

29. In conducting the examination of the vouchers relating to the appropriation of the grants for the several services enumerated in schedule (B) to this act annexed, the comptroller and auditor general, after satisfying himself that the accounts bear evidence that the vouchers have been completely checked, examined, and certified as correct in every respect, and that they have been allowed and passed by the proper departmental officers, may admit the same as satisfactory evidence of payment in support of the charges to which they may relate: *Provided always*, That if the treasury should desire any such vouchers to be examined by the comptroller and auditor general in greater detail, the comptroller and auditor general shall cause such vouchers to be subjected to such a detailed examination as the treasury may think fit to prescribe.

30. In conducting the examination of the vouchers relating to the appropriation of the grants for any services not enumerated in the aforesaid schedule, the comptroller and auditor general shall test the accuracy of the castings and computation of the several items of such vouchers. *Provided always*, That when any vouchers have been certified to be correct by any officers specially authorized to examine the same, it shall be lawful for the comptroller and auditor general, with the consent of the treasury, to dispense with a second examination of the particular items of such vouchers.

31. If during the progress of the examination by the comptroller and auditor general hereinbefore directed any objections should arise to any item to be introduced into the appropriation account of any grant, such objections shall, notwithstanding such account shall not have been rendered to him, be immediately communicated by him to the department concerned, and if the objections should not be answered to his satisfaction by such department, they shall be referred by him to the treasury, and the treasury shall determine in what manner the items in question shall be entered in the annual appropriation account.

32. In reporting as hereinbefore directed, for the information of the House of Commons, the result of the examination of the appropriation accounts, the comptroller and auditor general shall prepare reports on the appropriation account of the army and on that of the navy separately.

He shall prepare a report on the appropriation accounts of the department of customs, inland revenue, and post office.

He shall prepare a report or reports on the accounts relating to the several grants included within each of the classes into which the grants for civil services are divided in the appropriation act.

In all reports as aforesaid he shall call attention to every case in which it may appear to him that a grant has been exceeded, or that money received by a department from other sources than the grants for the year to which the account relates has not been applied or accounted for according to the directions of Parliament, or that a sum charged against a grant is not supported by proof of payment, or that a payment so charged did not occur within the period of the account, or was for any other reason not properly chargeable against the grant.

If the treasury shall not, within the time prescribed by this act, present to the House of Commons any report made by the comptroller and auditor general on any of the appropriation accounts, or on the accounts of issues for consolidated fund services, the comptroller and auditor general shall forthwith present such report.

#### ACCOUNTS OTHER THAN APPROPRIATION ACCOUNTS.

33. Besides the appropriation accounts of the grants of Parliament, the comptroller and auditor general shall examine and audit, if required so to do by the treasury, and in accordance with any regulations that may be prescribed for his guidance in that behalf by the treasury, the following accounts, viz, the accounts of all principal accountants, the accounts of the receipt of revenue by the departments of customs, inland revenue, and post office, the accounts of every receiver of money which is by law payable into Her Majesty's exchequer, and any other public accounts which, though not relating directly to the receipt or expenditure of imperial funds, the treasury may by minute order to be laid before Parliament direct.

34. The accounts which by the last-preceding section the treasury are empowered to subject to the examination of the comptroller and auditor general shall be rendered to him by the departments or officers who may be directed so to do by the treasury; and the term "accountant," when used in this and the following sections of this act with reference to any such accounts, shall be taken to mean the department or officer that may be so required by the treasury to render the same; and every public officer into whose hands public moneys, either in the nature of revenue or fees of office, shall be paid by persons bound by law or regulation to do so, or by subordinate or other officers whose duty it may be to pay such moneys wholly or in part into the receipt of Her Majesty's exchequer, or to apply the same to any public service, shall, at such times and in such form as the treasury shall determine, render an account of his receipts and

payments to the comptroller and auditor general; and it shall be the duty of the treasury to inform him of the appointment of every such officer.

35. Accountants shall transmit their accounts together with the authorities and vouchers relating thereto to the office of the comptroller and auditor general in such form, and for such periods, and under such regulations as he may from time to time prescribe for the guidance of such accountants: *Provided always*, That no such regulations shall be obligatory on such accountants until they shall have been approved by the treasury.

36. The comptroller and auditor general shall examine the several accounts transmitted to him with as little delay as possible, and when the examination of each account shall be completed he shall make up a statement thereof in such form as he may deem fit, and if it shall appear from the statement so made up of any account, being an account current, that the balance thereon agrees with the accountant's balance, or if it shall appear from any account rendered by an accountant, as well as from the statement of such account by the comptroller and auditor general, that the accountant is "even and quit," the comptroller and auditor general is hereby required to sign and pass such statement of account so made up by him as aforesaid: *Provided always*, That in all other cases whatever the comptroller and auditor general, having made up the statement of account as hereinbefore directed, shall transmit the same to the treasury, who, having considered such statement, shall return it to him, with their warrant attached thereto, directing him to sign and pass the account, either conformably to the statement thereof or with such alterations as the treasury may deem just and reasonable; and a statement of the account made up by the comptroller and auditor general in accordance with such treasury warrant shall then be signed and passed by him: *Provided further*, That a list of all accounts which the comptroller and auditor general may sign and pass (such list to be so prepared as to show thereon the charge, discharge, and balance of each account, respectively) shall be submitted by him to the treasury twice in every year, videlicet, not later than the first week of February and the first week of August.

37. It shall be lawful for the comptroller and auditor general, in the examination of any accounts, to admit and allow, in cases where it shall appear to him to be reasonable and expedient for the public service, vouchers for any moneys expressed therein, although such vouchers be not stamped according to law.

38. As soon as any account shall have been signed and passed by the comptroller and auditor general, he shall transmit to the accountant a certificate, in which the total amount of the sums forming, respectively, the charge and discharge of such account, and the balance, if any, remaining due to or by such accountant shall be set forth: and every such certificate shall be signed by him and shall be valid and effectual to discharge the accountant, as the case may be, either wholly or from so much of the amount with which he may have been chargeable as he may appear by such certificate to be discharged from: *Provided always*, That when any account, not being an account current, has been signed and passed by the comptroller and auditor general with a balance due thereon to the Comptroller, he shall not



make out or grant any such certificate as aforesaid until the accountant has satisfied him either that he has discharged the full amount of such balance, and any interest that may as hereinafter provided be payable thereon, or that he has been relieved from the payment thereof or of so much thereof as has not been paid by a warrant from the treasury.

39. No declaration shall be made by the chancellor and auditor general before the chancellor of the exchequer in relation to any account or state or statement thereof: nor shall any such state or statement be enrolled as of record in the office of Her Majesty's remembrancer of the court of exchequer, any law, usage, or custom to the contrary notwithstanding; but every statement of an account made out, signed, and passed as aforesaid shall be recorded in the office of the comptroller and auditor general, and the recording of such statement of account in his office shall be as valid and effectual for enabling any process in the law against the party chargeable, and any other proceeding for the recovery of any balances and any interest thereon and for all other purposes, as the enrollment of a declared account in the office of Her Majesty's remembrancer would have been if this act had not been passed; and a copy, certified under the hands of the comptroller and auditor general, of the record of any such statement of account, shall be taken notice of and proceeded upon in the like manner as the record of any such declared account, enrolled as aforesaid, might have been if this act had not been passed.

40. In all cases where the comptroller and auditor general shall be required by the treasury to examine and audit the accounts of the receipt, expenditure, sale, transfer, or delivery of any securities, stamps, Government stock or annuities, provisions, or stores, the property of Her Majesty, he shall, on the examination of such accounts being completed, transmit a statement thereof, or a report thereon, to the treasury, who shall, if they think fit, signify their approval of such accounts to him, and he shall thereupon transmit to the accountant a certificate in a form to be from time to time determined by the comptroller and auditor general, which shall be to such accountant a valid and effectual discharge from so much as he may thereby appear to be discharged from.

41. Every accountant shall, on the termination of his charge as such accountant, or in case of a deceased accountant his representatives, shall forthwith pay over any balance of public money then due to the public in respect of such charge to the public officer authorised to receive the same; and in all cases in which it shall appear to the comptroller and auditor general that balances of public money have been improperly and unnecessarily retained by an accountant he shall report the circumstances of such cases to the treasury; and the treasury shall take such measures as to them may seem expedient for recovering by legal process, or by other lawful ways and means, the amount of such balance or balances, together with interest thereon, upon the whole or part of such balance or balances, for such period of time and at such rate, not exceeding five pounds per centum per annum, as to the treasury may appear just and reasonable.

42. In all cases where any estate belonging to a public accountant shall be sold under any writ of extent or any decree or order of the

courts of chancery or exchequer, and the purchaser thereof or of any part thereof shall have paid his purchase money into the hands of any public accountant authorised to receive the same, such purchaser shall be wholly exonerated and discharged from all further claims of Her Majesty for or in respect of any debt arising upon the account of such accountant, although the purchase money so paid be not sufficient in amount to discharge the whole of the said debt.

43. In all cases in which an accountant may be dissatisfied with any disallowance or charge in his accounts made by the comptroller and auditor general such accountant shall have a right of appeal to the treasury, who, after such further investigation as they may consider equitable, whether by *viva voce* examination or otherwise, may make such order directing the relief of the appellant wholly or in part from the disallowance or charge in question, as shall appear to them to be just and reasonable, and the comptroller and auditor general shall govern himself accordingly.

44. It shall be lawful for the treasury, from time to time, if they see fit so to do, to dispense with the transmission, to the comptroller and auditor general, of any account not being accounts of the receipt and expenditure of public money, and with the audit of such accounts by him, any law, usage, or custom to the contrary notwithstanding: Provided always, that copies of any treasury minutes dispensing with the audit of such accounts shall be laid before Parliament.

45. Nothing in this act contained shall extend to abridge or alter the rights and powers of Her Majesty to control, suspend, or prevent the execution of any process or proceeding, under this act or otherwise, for recovering money due to the Crown.

46. The acts mentioned in Schedule (C) to this act annexed shall be repealed to the extent mentioned in such schedule, and all accounts required or directed to be audited by the board of audit shall be audited according to the provisions of this act; but nothing herein shall be deemed to confer upon the treasury the powers with respect to audit vested in the Admiralty by the Greenwich Hospital act, 1865, or to affect any right, title, obligation, or liability acquired or accrued before the commencement of this act: Provided always, that this act shall not affect any proceeding which may have been commenced under any of the said acts before this act comes into operation.

47. This act shall commence on the first day of April one thousand eight hundred and sixty-seven.

## APPENDIX VII.

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### **EXTRACT FROM THE NINTH REPORT OF THE SELECT COMMITTEE ON NATIONAL EXPENDITURE OF THE HOUSE OF COMMONS ON THE FINANCIAL PROCEDURE OF THE HOUSE OF COMMONS, 1918.**

The select committee on national expenditure have made progress in the matters to them referred, so far as relates to the procedure of the house in relation to supply and appropriation, and have agreed to the following ninth report:

#### **FINANCIAL PROCEDURE OF THE HOUSE OF COMMONS.**

1. Our terms of reference include a direction "to make recommendations in regard to \* \* \* the procedure of this house in relation to supply and appropriation, so as to secure more effective control by Parliament over public expenditure." We intrusted to a subcommittee appointed for the purpose the duty of ascertaining the opinions of those best qualified to speak upon this subject. The subcommittee decided to proceed by way of written question and answer. They framed a questionnaire, which was sent to Mr. Speaker, the chairman of ways and means and the deputy chairman, to the chancellor of the exchequer and the ex-chancellors, to the financial secretary to the treasury and the ex-financial secretaries, to certain other members of the house representative of parties, to the comptroller and auditor general, to certain government officials, and to a small number of others whose views it was thought desirable to ascertain. We present in the appendix to this report the questions and the replies, together with a synopsis.

Those questions and replies related to the normal conditions of times of peace, and this report relates to them also. There is nothing in existing circumstances, however, which would render our recommendations inapplicable. Their adoption is, in our judgment, at least as necessary during the continuance of war expenditure as it will be on the return of peace.

2. The replies show, with few exceptions, a consensus of opinion that the present system of parliamentary control over expenditure is inadequate. In that view we concur. Indeed, our terms of reference themselves, inviting proposals to render control more effective, indicate that the house is not satisfied with the existing procedure.

3. The committee of the whole house on supply has the name but has none of the methods of a committee. It was established in the days of recurring conflict between Parliament and the Crown as a device to secure freedom of discussion on matters of finance. The

debates in the house itself were recorded in the journal, which was sometimes sent for and examined by the King; and they were conducted in the presence of the speaker, who in those days was often the nominee and regarded as the representative of the Sovereign. By going into committee under the chairmanship of a member freely selected the House of Commons secured a greater degree of privacy and independence. But a so-called committee of 670 members can not effectively consider the details of finance. The time at its disposal is closely restricted. It can not examine witnesses. It has no information before it but the bulky volumes of the estimates themselves, the answers of a minister to questions addressed to him in debate, and such facts as some private member may happen to be in a position to impart. A body so large, so limited in its time, so ill-equipped for inquiry, would be a very imperfect instrument for the control of expenditure, even if the discussions in committee of supply were devoted entirely to that end. But those discussions afford the chief, sometimes the only, opportunity in the course of the year for the debate of grievances and of many questions of policy. In the competition for time those matters of greater interest and often of greater importance usually take precedence, and questions of finance are crowded out. And even if all these obstacles are overcome, and some rare occasion arises on which the House of Commons discovers and debates a case where a reduction in an estimate appears desirable, and would be disposed to insist upon its view, the present practice, which regards almost every vote of the house as a vote, not only on the merits of the question but for or against the Government of the day, renders independence of action impossible. Under these conditions it is not surprising that there has not been a single instance in the last 25 years when the House of Commons by its own direct action has reduced on financial grounds any estimate submitted to it.

4. The presentation of estimates to Parliament serves, no doubt, a useful purpose. It secures publicity for the sums which they include, and fixes responsibility for their expenditure. It has an indirect influence also on ministers and departments, since there is always the possibility that any item may be selected and challenged. The debates in committee of supply are indispensable for the discussion of policy and administration. But so far as the direct effective control of proposals for expenditure is concerned, it would be true to say that if the estimates were never presented and the committee of supply never set up, there would be no noticeable difference. Indeed, a large part of the estimates are formally passed year by year under the closure at the end of each session, without even the appearance of discussion; while every item in every estimate, whether closed or not, emerges from the parliamentary process in precisely the same shape as it entered it. Yet it can not be contended that there is never an occasion in any year or under any head on which proposals for expenditure could with advantage be reviewed and amended.

5. The estimates undergo in normal times a close examination by the treasury before they are presented. But the treasury is itself part of the executive. When any departmental minister has secured

the personal assent of the chancellor of the exchequer to any proposal which he desires to insert or to retain in his estimates, the treasury is necessarily silent. Treasury control, invaluable as it is up to a point, is not a substitute for parliamentary control.

6. The comptroller and auditor general, on the other hand, is an officer of the House of Commons itself. But his scrutiny of expenditure, though exhaustive and independent, is a scrutiny of accounts and not of estimates, of expenditure which has already been incurred, and not of expenditure which is contemplated. He inquires whether the sums included in the accounts have actually been spent, and whether the spending was regular. It is not within his province to consider whether it was desirable or necessary, although it is regarded as his duty by the public accounts committee to draw attention to expenditure which is wasteful or extravagant.

It is recognized on all hands that the work of the comptroller and auditor general and of the public accounts committee, which examines and reports upon the results of his inquiries, is highly efficient and useful, but no one would suggest that it covers, or could be made to cover the whole field.

7. It is sometimes urged that the only safeguard against extravagance likely to be successful is to be found in the ministers and officials of the spending department themselves; that Parliament should be content to rely upon them; that any attempt at direct control would be ineffective, because it could not be sufficiently painstaking and minute, and harmful, because ministers would feel that the final responsibility had been transferred from their shoulders, and that they were no longer expected to exercise a meticulous care.

We can not subscribe to that doctrine. It would convert the responsibility of ministers into irresponsibility. It contemplates an executive which would be autocratic so far as expenditure is concerned, subject only to audit in order to insure honesty, and to the extreme measure of dismissal in case of gross abuse. If, however, it is answered that it is not intended to push the doctrine so far, and that the present practice provides the right admixture of ministerial responsibility and parliamentary control, we would express the conviction that the House of Commons ought not to accept a system which recognizes its authority, so long as it is never exercised, and concedes the appearance of control on the condition that it is not made a reality.

Nor can we agree that ministers and their officials—on whom, in the first instance, it is true, dependence must be placed for the avoidance of waste—would be likely to become less careful if they knew that their estimates would undergo in Parliament an effective instead of an ineffective review.

To regard the executive, whether it be the Sovereign or whether it be a ministry dependent upon Parliament, as the sole authority to limit the sums which ought to be provided for each branch of the public service is contrary, in our judgment, to the principles on which the constitution is based. We consider that the House of Commons, as the representative of the taxpayer, should reassert, fully and effectively, its right of restricting the amounts to be allotted for each head of the national expenditure, and we recommend the adoption of the measures to that end which we now proceed to detail.



## STANDING COMMITTEES ON ESTIMATES.

8. The great majority of the replies to the questions which were circulated favor the principle that the estimates should be subjected to examination by a select committee. Among those who express that view are all the officers of the house who were consulted—Mr. Speaker, the chairman of ways and means, the deputy chairman, and the clerk of the house. We are unanimously of the same opinion.

We recommend that at the beginning of each session there should be appointed, by the customary procedure, two standing committees on estimates, each consisting of 15 members. After some experience of the working of these committees, it may be found desirable to add a third.

We have considered the alternative of a single committee with a larger membership, which should divide itself into a number of sub-committees, each dealing with one department or group of departments, but we have arrived at the conclusion that for the purpose in view the balance of advantage lies against this method.

We have considered also whether the committees which will deal with estimates should also deal with accounts, the public accounts committee being amalgamated with them. We are of opinion that the two matters should be kept separate, and that the public accounts committee should continue with the same composition and functions as hitherto. It would be advisable, however, for some of its members to be appointed to serve on the estimates committees also, in order that the bodies should be in close touch with each other's work.

9. The annual estimates should, without special motion, be subject to the examination of the estimates committees A and B, the allocation of classes of votes to one or the other being made by the chairman of ways and means.

10. Any supplementary estimates for the current year introduced at the beginning of the session could not as a rule be examined by the estimates committees on account of the shortness of the time usually available before the 31st of March, by which date they must be passed through all their stages. But in special cases, and if time allowed, the house might desire them to be so referred. Supplementary estimates introduced in the latter part of the session should follow the normal course and be referred to the committee. We desire incidentally to emphasize the importance of limiting the use of supplementary estimates to a minimum.

11. It would be the duty of the estimates committees to consider such votes, and in such order as they might think fit, and to present reports upon them from time to time to the house. We are of opinion that special attention should be given to any items which had first been voted in the previous year as supplementary estimates without having been reported upon by one of the committees. The reports should include an account of the action taken on any recommendations in the previous year's report.

12. It should not be within the competence of the committees to make any recommendations inconsistent with the policy implied in the estimates. Policy is a matter for the Government and for the house itself and not for standing committees on estimates. To trans-

gress this rule would be to invite controversy within the committees and to endanger the success of their working.

Although "policy" can not be defined in precise terms, the experience of the estimates committee set up in 1912 and of our own committee—from both of whose references the consideration of matters of policy was specifically excluded—shows that in practice the line is not difficult to draw.

13. The House of Commons itself has foregone the power, and does not now seek the power, to increase the estimates submitted to it on behalf of the Crown. Its committees can not possess a larger authority. The duty of the estimates committees would be to suggest desirable economies, and they should not be authorized to propose increased expenditure. There may no doubt be cases, however, in which it might be proper to indicate that a larger capital expenditure, for example, upon the plant of some Government establishment would result in an economy through a more than equivalent saving in working expenses.

14. The estimates committee of 1912, 1913, and 1914 was appointed in pursuance of a recommendation of the select committee on national expenditure of 1902-3. It rendered useful service, but its usefulness was impaired by three causes.

First, the task imposed upon it was too large for a single body to perform. It was able to consider each year only a fraction of the estimates; its examination of the votes of any particular department was rather an exceptional incident than a normal part of the financial procedure. The departments knew that once their estimates had been considered it would probably be from 7 to 10 years before they were considered again. Our proposals for two committees—and, if experience shows it to be desirable, for the addition of a third—should go far to remove this drawback, particularly if each of the committees were expected to give as much time as might be necessary to enable it to cover each session a large part of the whole field.

Secondly, the previous committee, in common with the house itself, was handicapped by the form in which the estimates have been framed. As to this we have proposed large changes in a separate report, to which we shall refer later.

The third drawback was not the least serious. The estimates committee of those years had no professional assistance at its command. Its inquiries, necessarily, were to a great extent haphazard. The annual estimates cover the whole sphere of national government; they enter into minute detail; to comprehend them fully is a science in itself. The public accounts committee is aided in its investigations by the reports of the comptroller and auditor general, who in turn is supplied with information by a large staff in close touch with every branch of administration. The previous estimates committee had no such technical advice. We regard it as essential that this deficiency should be made good.

We have considered whether the duty of assisting the estimates committees might not be added to those already performed by the comptroller and auditor general and his staff. This course would have the advantage of making use of existing machinery. But we are clearly of opinion that it is inadvisable, for the reason, among

others, that it would introduce undesirable complications into the relations between the comptroller and auditor general and his department on the one hand and the treasury and the spending departments on the other.

We have considered also whether the duty might not be allotted to the treasury itself. To this there is the objection that every estimate before being presented to Parliament has already been submitted to the treasury and passed. Once its sanction has been given the function of the treasury must rather be to meet and answer criticism than to stimulate and direct it. It would be desirable, no doubt, that officers of that department should be ready to attend the meetings of the committees whenever necessary, in order to furnish them with information; but they would be placed in an impossible position if they were expected to suggest the points, which might usefully be considered with a view to amendments, in estimates which had already been approved by the department of which they were members and of the ministers under whom they served.

We therefore recommend that the committees should be assisted by an officer of the house, to be appointed for the purpose, with the title of examiner of estimates. His duty would be to collect from his own study of the estimates, from information obtained officially or semi-officially, from communications received from members of the house or from the public, facts which would indicate to the estimates committees useful lines of inquiry. He would stand in much the same relation to them as the comptroller and auditor general stands to the public accounts committee. His salary would be borne upon the vote for the House of Commons offices. It would not be necessary to attach to him any large specialized staff, but experience might show that it was desirable to furnish him with one or more technical assistants, and the clerical establishment of the house would render such service as might be required.

15. There remains the question of the opportunity to be provided for the consideration by the house of the recommendations of the estimates committees.

It has not been proposed in any quarter, and we do not suggest, that the decisions of the committees should have any binding effect. The House of Commons would not delegate to them any of its powers in matters of finance; their province would be limited to inquiry and report. But no doubt in many cases the departments concerned would accept and act upon the view expressed by the committees, just as the recommendations of the public accounts committee and of our own committee with respect to current expenditure are frequently welcomed by the Government and carried into effect, without it being necessary to occupy the time of the house with their discussion. It is essential, however, if the work of the committees is to be effective, if their influence is to be maintained, and if they are to attract the service of able and active members of the house, that their recommendations, when not agreed to, should be given the publicity, the full consideration, and the opportunity of eliciting wider support, which can only be obtained by debate in the house itself.

The most suitable occasion for such a purpose is obviously the day when the estimates of the department concerned are taken in

committee of supply. Several considerations, however, have to be borne in mind in this connection. Supply days are utilized also for debates on policy and on administration, and opportunities for such debates are indispensable. The department whose estimates are to be taken on a particular supply day is selected in accordance with the desires of the house, so as to enable the matters to be brought forward on which discussion is thought to be specially needed at that time. It is a convenient practice for the consideration of supply to be distributed over the session and for one day in the week to be devoted as a rule to that purpose. Any arrangements that are made to secure the due consideration of the recommendations of the estimates committees should involve as little disturbance as possible of those arrangements.

16. We propose—

(1) That the estimates should be presented and the estimates committees set up at the earliest practicable date after the beginning of the session.

(2) That the committees should indicate to the chairman of ways and means at an early stage in their proceedings the classes or votes, if any, on which they did not propose to report that session, unless unforeseen considerations should arise which would lead them to do so.

(3) That the committees should consider the estimates of the several departments in such order, so far as possible, as would be most likely to meet the convenience of the house, and should present their report on each as soon as their inquiries with regard to it were completed.

(4) That the selection of the votes to be taken in the House on any particular supply day should be, as a rule, from among those on which the estimates committees had already presented reports or had intimated that they would be unlikely to report that year. The practice should not, however, preclude other votes being selected if there were a strong desire to debate matters of public importance relating to a department on whose vote a report from the estimates committees was expected but had not yet been received.

(5) That in the later case either—

(a) The vote itself should not be finally passed, but the discussion of it should be deferred. Another day should be given if a report subsequently presented by one of the estimates committees contained recommendations needing discussion. If there were no such report, the vote would be passed under the closure at the end of the session; or

(b) A supplementary estimate for a token vote of £100 should be proposed at a later date in order to afford an opportunity for further debate if a report from an estimates committee made it appear desirable.

It should be the recognized practice of the House that the estimates committees should have the right to require that special opportunity should be afforded for the consideration of any of their reports which had not been discussed in ordinary course, subject to the limit that not more than two days should be asked for in any session for this purpose.

(6) That where recommendations from an estimates committee were before the House in time for the supply day on which the vote

was taken to which those recommendations referred, the chairman of ways and means should endeavor so to arrange the course of the debate as to give an opportunity for their discussion. He would bear in mind the relative importance of the financial points raised by the committee and of any other matters which members of the House might desire to discuss on the same day. If it should be found impracticable to afford such an opportunity, the procedure suggested in the previous paragraph to meet the case where the votes were taken before the estimates committee's report was ready should apply.

(7) That it should be the duty of the chairman of an estimates committee, or of some other member nominated for the purpose, to be present in the House when the occasion was offered for the discussion of its recommendations, and to speak in their support, and the duty of the minister in charge of the vote either to accept the recommendations or to give reasons for not doing so.

#### FREEDOM OF VOTING IN COMMITTEE OF SUPPLY.

17. We are convinced that these measures, while they would go far to secure the object in view, would not be adequate for their purpose without one further change of fundamental importance in the practice of the house. The spirit in which the proposed committees will carry on their work, the attitude of ministers toward their recommendations, the confidence of the people at large in their activities, will all depend upon the degree of support which they are enabled to receive from the House of Commons itself. But the house will not be free to give them support so long as the present convention continues, which introduces into every division on a proposal of the government of the day, however unimportant, however remote from broad considerations of national policy, the question of confidence or want of confidence in that government. It is plain that if, on a division on some minor economy in a departmental estimate, a majority adverse to the Government is to be regarded as a censure, even as a reason for its resignation, or for subjecting the country to a general election, the smaller issue must be completely eclipsed by the larger, and that a decision on the merits of the particular question must become impossible. Only when the House of Commons is free, not merely in theory and under the forms of the constitution but in fact and in custom, to vote, when the occasion requires, upon the strict merits of the proposed economies, uncomplicated by any wider issue, will its control over the national expenditure become a reality.

The estimates committees will be precluded from dealing with policy. That limitation should exclude from their recommendations any proposals which, if carried against the Government, should properly entail either their resignation or a dissolution of Parliament.

We recommend that the House of Commons, if it approves and decides to act upon our proposals for the establishment of estimates committees, should also resolve that any motion carried in committee supply in pursuance of the recommendations of those committees could not be taken to imply that the government of the day no longer possessed the confidence of the house.



## FORM OF THE ESTIMATES AND ACCOUNTS.

18. The form in which the estimates have hitherto been framed is not such as to make them serviceable for the purposes of parliamentary review. We have made inquiry into this branch of the matters referred to us through a subcommittee, on which several of our members served who were also members of the public accounts committee, and to which there were co-opted, under the permission given by our terms of reference, a civil servant of long experience and three gentlemen with expert knowledge of commercial systems of accounting. As the outcome of their exhaustive inquiries we have expressed the opinion in our seventh report of this session that "estimates and accounts prepared on the present basis are of little value for purposes of control, either by departments, the treasury, or Parliament," and we have recommended that they should be remodeled in a form of greater significance and utility.

We regard the adoption of the recommendations in our seventh report as an essential part of our proposals for securing a proper control over expenditure by Parliament.

19. Their adoption will require that in the case of the estimates for the navy, army, and air force a vote on account should be taken at the beginning of the session, as is already the practice in the case of civil-service estimates. But in any event such a vote on account will be necessary to enable the procedure proposed in paragraph 16 to be fully applicable to the estimates for those services.

20. We are of opinion that when an estimate includes an item for the initiation of a new scheme which is likely to throw an increasing charge upon the exchequer in subsequent years a statement should, as a general rule, be added, showing the amount of that increase, as is already the practice with regard to estimates for building services, and as has occasionally been done by a memorandum in some other cases. Reasons of state may sometimes, however, render this course inadvisable, in which event the information should be subsequently furnished to the estimates committee concerned.

21. A useful return was presented to Parliament in 1909, on the motion of Mr. Harold Cox, under the title of "National Income and Outgo." It gave a comprehensive view of both sides of the national account, and included financial information not readily obtainable elsewhere. The new form of the national accounts recommended in our seventh report will cover some of the ground included in that return. We are of opinion that the public accounts committee, when experience has been gained of the new accounts, should be invited to consider whether it might not be desirable to publish annually a return similar to that of 1909.

## MONEY RESOLUTIONS FOR BILLS.

22. We have given careful consideration to the standing orders of the House, which require that all bills involving expenditure should be preceded or accompanied by a resolution, to be passed in the committee of the whole house and in the House itself on report, authorizing the expenditure. We are of opinion that the rule serves a useful purpose, but that its utility could be further increased. We recom-

mend that the procedure with respect to money resolutions for Government bills involving expenditure should be retained and should be extended as follows:

(1) The terms of the money resolution should be placed on the notice paper of the House. In the case of bills not originating in committee, this should be done before the second reading of the bill.

(2) They should, wherever possible, either comprise a statement of the probable expenditure, whether capital or annual, or be accompanied by a white paper furnishing such a statement.

(3) If cases should occur where the conditions did not allow a forecast to be made, the fact should be stated in a white paper, with a full explanation of the reasons.

(4) Any statement furnished as proposed in the foregoing paragraphs should be referred to one of the estimates committees for examination and report, unless the House, on account of urgency or of the smallness of the sum involved, should by resolution dispense with that procedure in the particular case.

(5) It should be the duty of the committee to elucidate the facts and to examine the basis of any estimate that may have been formed, or the reasons advanced for not forming one. The purpose in view would not be the insertion of a definite figure in a bill in all cases, for that would often be impracticable or injurious to good administration. It should be remembered also that any expenditure incurred must always, unless charged upon the consolidated fund, come before the House each year in one of the estimates. The purpose would be to insure that Parliament should not pass legislation involving financial commitments without a clear idea, based on the inquiries of one of its own committees, of the nature and extent of those commitments so far as they can be ascertained.

(6) The recommendations in this report with respect to the exclusion of questions of policy and to the freedom of voting in the house on the proposals of the estimates committees should apply in the case of money resolutions as in the case of estimates.

In case of private members' bills involving expenditure, the procedure proposed in this paragraph should apply if and when a money resolution to authorize the expenditure is moved on behalf of the Crown.

#### OTHER PROPOSALS.

23. We have considered a number of suggestions for eliminating or curtailing various stages of the procedure by which the house deals with financial business, but we do not recommend any of them for adoption.

24. We have no alteration to suggest in the number of days allotted each session to supply.

25. The estimates for which one minister is responsible are frequently distributed between several votes. It would be advisable for the existing classification to be reviewed in the manner proposed by the joint secretaries of the treasury in their reply to our questions. (See appendix, reply No. 20, question 8.)

26. It is the present practice for the comptroller and auditor general to report to the public accounts committee only when the annual accounts of a department are finally closed. His staff conduct a continuous audit, but if any matters needing attention are brought to

light in the course of the year he has no authority to report upon them. We are of opinion that it would add greatly to the value of the audit and conduce to good administration if this restriction were removed, and if the attention of the public accounts committee could be called at once to any apparent impropriety before the expenditure is completed. An amendment to the exchequer and audit departments act, 1866, may be needed for the purpose.

27. We consider that the ministry as a whole should be responsible both for making and for declining to make proposals to Parliament for increased expenditure. There have been departures in recent years from the practice by which an individual minister was not considered at liberty to dissociate himself publicly from his colleagues, and, while himself retaining office, to throw upon the treasury the onus of refusing a particular grant affecting his own department. We deprecate these departures, which, if they became the rule, would make the position of a chancellor of the exchequer almost untenable. We recommend that the former practice should be rigidly observed.

28. We believe that the treasury can not fully exercise its powers of control if it is itself a spending department, and we recommend that the direct responsibility for old-age pensions, which now rests with the board of customs and excise, a subdepartment of the treasury, should be transferred as soon as may be to another department.

#### CONCLUSIONS AND RECOMMENDATIONS.

29. (1) We are of opinion that the existing procedure of the House of Commons is inadequate to secure proper parliamentary control over the national expenditure.

(2) We recommend that there should be appointed each session two standing committees on estimates, each consisting of 15 members, and that a third should be added if experience showed that this was desirable.

(3) It should be the duty of the committees to consider the annual estimates and such supplementary estimates as the conditions allowed, and to report to the house any economies which they regarded as desirable and which did not raise questions of policy.

(4) For the assistance of the committees there should be appointed an officer of the house, with the title of examiner of estimates.

(5) Opportunity should be provided for the consideration by the house of the recommendations of the committees in the manner proposed in paragraph 16.

(6) It should be established as the practice of Parliament that members should vote freely upon motions for reductions made in pursuance of recommendations of the estimates committees, and that the carrying of such a motion against the government of the day should not be taken to imply that it no longer possessed the confidence of the house.

(7) The form in which the estimates are framed should be remodeled in accordance with the recommendation in our seventh report of the present session.

(8) There should be a vote on account for navy, army, and air services at the beginning of each session.

(9) Where an estimate involves a commitment to a larger expenditure in subsequent years, the fact should, subject to the qualification mentioned in paragraph 20, be stated in the estimate.

(10) The terms of money resolutions for bills involving expenditure should be placed upon the notice paper of the house. They should embody or be accompanied by a white paper furnishing a statement of the probable amount. If the conditions did not allow such a statement to be framed, a white paper should be presented giving the reasons.

(11) Any statement furnished in connection with a money resolution should be referred to one of the estimates committees for examination and report, unless the house should dispense with that procedure in any particular case.

(12) The classification of the supply votes should be reviewed.

(13) The comptroller and auditor general should be authorized to report to the public accounts committee on matters needing their attention as and when they are brought to light in the course of his continuous audit.

(14) The committee of public accounts should be invited to consider whether a return on the lines of the national income and outgo return of 1909 should be presented annually to Parliament.

(15) A minister should not be at liberty to dissociate himself publicly from his colleagues in matters of expenditure and to throw upon the treasury alone the onus of refusing a particular grant affecting his department.

(16) The treasury should cease to be itself a spending department.

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